



CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY
GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

General Information

MAYORAL COMMITTEE

Executive Mayor

Councillors

30 June 2020

Makhubo Moloantoa Geoffrey (Chairperson)

Molwele Nonceba (Speaker of Council)

Matongo Jolidee (Finance)

Khoza Lawrence (Economic Development)

Phillips Lloyd (Economic Development)- Resigned 16 November 2020

Ahmad Thapelo (Development Planning and Urban Management)-

Appointed 17 November 2020

Makhuba Helen (Transport)

Moerane Mpho (Environment and Infrastructure Services)

Mgcina Sibongile (Health and Social Development)

Masuku Loyiso (Corporate and Shared Services)

Mokoena Hilda (Public Safety)

Arnolds Margaret (Community Development)

Mabaso Mlungisi (Housing)

Mogase Solomon (Chief Whip)

Mulauzi Mmatlou (Chair of Chairpersons)

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

General Information

GRADING OF LOCAL AUTHORITY

The City of Johannesburg Metropolitan Municipality is a Grade Six Local Authority in terms of Item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998.

CITY MANAGER

Dr Ndivhoniswani Lukhwareni

CHIEF FINANCIAL OFFICER

Manenzhe Manenzhe

REGISTERED OFFICE

Metropolitan Centre,
158 Loveday Street
Braamfontein
Johannesburg
2001
Telephone:
+27 (0)11 407 - 6111
Facsimile:
+27 (0)11 339 - 5704

POSTAL ADDRESS

P O Box 1049
Johannesburg
2000

PRIMARY BANKER

Standard Bank

AUDITORS

The Office of the Auditor-General : Gauteng
Registered Auditors
39 Scott Street
Braamley
2090
PO Box 91081
Auckland Park
2006

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

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ABBREVIATIONS

| | |
|-------|---|
| AARTO | Administrative Adjudication of Road Traffic Offences |
| AUC | Assets Under Construction |
| CJMM | City of Johannesburg Metropolitan Municipality (CORE) |
| COID | Compensation for Occupational Injuries and Diseases |
| CRR | Capital Replacement Reserve |
| DBSA | Development Bank of Southern Africa |
| EPWP | Expanded Public Works Program |
| FRA | Forward Rate Agreement |
| FRN | Floating Rate Note |
| GRAP | Generally Recognised Accounting Practice |
| IAS | International Accounting Standards |
| IFRS | International Financial Reporting Standards |
| IPSAS | International Public Sector Accounting Standards |
| IRS | Interest Rate Swap |
| JDA | Johannesburg Development Agency |
| JIBAR | Johannesburg Interbank Average Rate |
| JRA | Johannesburg Roads Agency |
| JSE | Johannesburg Stock Exchange |
| MBUS | Metrobus |
| ME's | Municipal Entities |
| MFMA | Municipal Finance Management Act |
| MTC | Metropolitan Trading Company |
| NCD | Negotiable Certificate of Deposit |
| NPV | Net Present Value |
| PAYE | Pay As You Earn |
| PN | Promissory Note |
| PPE | Property, Plant and Equipment |
| RMB | Rand Merchant Bank |
| SANAS | South African National Accreditation System |
| SARS | South Africa Revenue Services |
| SCM | Supply Chain Management |
| SOC | State Owned Company |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

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| | |
|------|------------------------------------|
| SPTN | Single Public Transport Network |
| STD | Standard Bank |
| UIF | Unemployment Insurance Fund |
| USDG | Urban Settlement Development Grant |
| VAT | Value Added Taxation |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

City Manager's approval of the Group Annual Financial Statements

I am responsible for the preparation of the Group Annual Financial Statements in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

The Group Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

30/11/2020

Accounting Officer
Dr. Ndivhoniswani Lukhwareni

Date

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

| Figures in Rand thousand | Note(s) | GROUP | | CJMM | | |
|---|---------|--------------------|-------------------|-------------------|-------------------|--|
| | | 2020 | 2019 Restated* | 2020 | 2019 Restated* | |
| Assets | | | | | | |
| Current Assets | | | | | | |
| Inventories | 3 | 350 219 | 265 378 | 98 715 | 78 504 | |
| Loans to Municipal entities | 4 | - | - | 1 239 068 | 1 087 460 | |
| Other financial assets | 5 | 9 076 | 33 310 | 9 076 | 33 310 | |
| Current tax receivable | 57 | 35 454 | 26 155 | - | - | |
| Finance lease receivables | 6 | - | - | 85 183 | 141 756 | |
| Receivables from exchange transactions | 7 | 1 755 127 | 1 325 958 | 10 618 546 | 8 836 289 | |
| Receivables from non-exchange transactions | 8 | 1 561 842 | 706 600 | 1 528 735 | 696 532 | |
| VAT receivable | 9 | 413 609 | 449 845 | 123 613 | 213 169 | |
| Consumer debtors | 10 | 6 878 904 | 6 095 027 | 710 188 | 990 161 | |
| Financial assets at fair value - Sinking fund | 11 | 1 641 767 | 1 292 512 | 1 641 767 | 1 292 512 | |
| Cash and cash equivalents | 12 | 5 491 129 | 5 339 214 | 4 856 050 | 4 673 485 | |
| | | 18 137 127 | 15 533 999 | 20 910 941 | 18 043 178 | |
| Non-Current Assets | | | | | | |
| Zoo animals | 13 | 21 294 | 25 822 | - | - | |
| Investment property | 14 | 1 010 045 | 1 011 474 | 992 715 | 992 850 | |
| Property, plant and equipment | 15 | 76 181 608 | 73 197 974 | 46 533 299 | 44 614 045 | |
| Intangible assets | 16 | 1 139 921 | 1 292 691 | 651 558 | 796 830 | |
| Heritage assets | 17 | 611 717 | 609 277 | 610 114 | 607 674 | |
| Investments in Municipal Entities | 18 | - | - | 650 174 | 643 484 | |
| Investment in Joint Ventures | 19 | 25 027 | 25 446 | - | - | |
| Loans to Municipal Entities | 4 | - | - | 6 543 630 | 6 857 552 | |
| Other financial assets | 5 | 83 899 | 60 596 | 83 899 | 60 596 | |
| Deferred tax | 20 | 1 783 876 | 1 608 964 | - | - | |
| Finance lease receivables | 6 | - | - | 149 881 | 93 801 | |
| Financial assets at fair value - Sinking fund | 11 | 1 515 776 | 1 384 772 | 1 515 776 | 1 384 772 | |
| | | 82 373 163 | 79 217 016 | 57 731 046 | 56 051 604 | |
| Total Assets | | 100 510 290 | 94 751 015 | 78 641 987 | 74 094 782 | |
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Loans and borrowings | 21 | 1 940 627 | 948 987 | 1 938 485 | 948 039 | |
| Current tax payable | 57 | 214 436 | 181 028 | - | - | |
| Finance lease obligations | 22 | 169 960 | 73 856 | 162 678 | 66 152 | |
| Payables from exchange transactions | 23 | 12 165 471 | 12 234 908 | 13 377 594 | 12 803 433 | |
| Payables from non-exchange | | 380 211 | 338 552 | - | - | |
| VAT payable | 58 | 48 064 | 61 430 | - | - | |
| Unspent conditional grants and receipts | 24 | 1 042 031 | 315 390 | 1 041 759 | 314 983 | |
| Provisions | 25 | 372 920 | 310 207 | - | - | |
| Deferred income | 27 | 6 581 | 5 015 | - | - | |
| Consumer deposits | | 19 900 | 16 958 | - | - | |
| | | 16 360 201 | 14 486 331 | 16 520 516 | 14 132 607 | |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

| Figures in Rand thousand | Note(s) | GROUP | | CJMM | |
|---|---------|-------------------|-------------------|-------------------|-------------------|
| | | 2020 | 2019 Restated* | 2020 | 2019 Restated* |
| Non-Current Liabilities | | | | | |
| Loans from Municipal entities | 28 | - | - | 434 314 | 438 146 |
| Loans and borrowings | 21 | 20 157 329 | 21 097 960 | 20 146 189 | 21 084 678 |
| Finance lease obligations | 22 | 38 591 | 109 518 | 34 661 | 103 728 |
| Employee benefits obligations | 26 | 1 219 254 | 1 303 578 | 936 546 | 1 021 491 |
| Unspent conditional grants and receipts | 24 | 77 080 | 97 732 | - | - |
| Deferred tax | 20 | 3 383 671 | 3 291 091 | - | - |
| Provisions | 25 | 912 329 | 888 494 | 138 241 | 135 061 |
| Deferred income | 27 | 84 324 | 78 147 | 84 324 | 78 147 |
| Consumer deposits | | 1 081 662 | 986 778 | 14 451 | 17 240 |
| | | 26 954 240 | 27 853 298 | 21 788 726 | 22 878 491 |
| Total Liabilities | | 43 314 441 | 42 339 629 | 38 309 242 | 37 011 098 |
| Net Assets | | | | | |
| Accumulated surplus | | 57 195 849 | 52 411 386 | 40 332 745 | 37 083 684 |
| | | 57 195 849 | 52 411 386 | 40 332 745 | 37 083 684 |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

| Figures in Rand thousand | Note(s) | GROUP | | CJMM | | |
|--|---------|---------------------|---------------------|---------------------|---------------------|--|
| | | 2020 | 2019 Restated* | 2020 | 2019 Restated* | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Rendering of services | 30 | 29 825 424 | 27 307 329 | 256 608 | 351 879 | |
| Rental of facilities and equipment | 62 | 359 155 | 339 881 | 135 948 | 140 318 | |
| Agency services | 63 | 693 646 | 773 746 | 622 076 | 696 602 | |
| Other revenue | 29 | 362 243 | 717 598 | 336 989 | 525 405 | |
| Finance Income | 59 | 352 981 | 752 236 | 1 565 776 | 1 488 123 | |
| Fair value adjustments | | 480 258 | 447 098 | 480 258 | 447 098 | |
| Share of surpluses or deficits from associates or joint ventures accounted for using the equity method | | 680 | 1 403 | - | - | |
| Total revenue from exchange transactions | | 32 074 387 | 30 339 291 | 3 397 655 | 3 649 425 | |
| Revenue from non-exchange transactions | | | | | | |
| Taxation revenue | | | | | | |
| Property rates | 31 | 12 552 224 | 12 372 032 | 12 552 224 | 12 372 032 | |
| Surcharges and taxes | 65 | 256 266 | 224 819 | 256 266 | 224 819 | |
| Finance Income | | 111 368 | 153 782 | 110 166 | 152 218 | |
| Transfer revenue | | | | | | |
| Government grants and subsidies | 32 | 11 176 159 | 10 745 671 | 10 573 215 | 10 294 887 | |
| Levies | | 526 374 | 531 288 | - | - | |
| Public contributions, donated and contributed property, plant and equipment | | 342 193 | 359 720 | 18 395 | 2 288 | |
| Fines, Penalties and Forfeits | | 1 066 621 | 560 309 | 1 066 621 | 560 309 | |
| Total revenue from non-exchange transactions | | 26 031 205 | 24 947 621 | 24 576 887 | 23 606 553 | |
| Total revenue | | 58 105 592 | 55 286 912 | 27 974 542 | 27 255 978 | |
| Expenditure | | | | | | |
| Employee related costs | 33 | (14 795 278) | (12 577 517) | (8 683 929) | (7 655 670) | |
| Remuneration of councillors | 34 | (166 267) | (162 088) | (166 267) | (162 088) | |
| Depreciation and amortisation | 35 | (3 256 269) | (3 251 081) | (1 986 804) | (2 051 247) | |
| Impairment losses | 36 | (96 551) | (72 712) | (218 281) | (378 115) | |
| Finance costs | 60 | (2 264 589) | (2 500 036) | (2 670 714) | (2 544 644) | |
| Debt impairment | 37 | (5 866 691) | (4 579 456) | (1 747 619) | (1 616 568) | |
| Bulk purchases | 38 | (17 670 956) | (16 535 145) | - | - | |
| Lease rentals on operating lease | | (1 229 958) | (1 198 235) | (167 792) | (315 373) | |
| Grants and subsidies paid | 39 | (288 507) | (180 269) | (4 805 008) | (4 094 638) | |
| Loss on disposal of assets and liabilities | | (79 325) | (37 956) | (62 213) | (24 910) | |
| General expenses | 40 | (7 615 948) | (7 559 304) | (4 216 854) | (3 900 032) | |
| Total expenditure | | (53 330 339) | (48 653 799) | (24 725 481) | (22 743 285) | |
| Surplus before taxation | | 4 775 253 | 6 633 113 | 3 249 061 | 4 512 693 | |
| Taxation | 61 | (17 180) | (23 407) | - | - | |
| Surplus for the year | | 4 792 433 | 6 656 520 | 3 249 061 | 4 512 693 | |

City of Johannesburg Metropolitan Municipality
 Group Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

Figures in Rand thousand

GROUP

| | Note(s) | Accumulated surplus | Total equity |
|---|-----------|------------------------|-------------------|
| Balance at 01 July 2018 | | | 45 754 848 |
| Changes in net assets | | | |
| Surplus for the year- Restated | B 1155 | 520 | 6 656 520 |
| Total recognised revenue and expenditure for the year | | | 6 656 520 |
| Total changes | | | 6 656 520 |
| Balance at 01 July 2019 | | | 52 411 171 |
| Changes in net assets | | | |
| Surplus for the year | 4 792 433 | 4 792 433 | |
| Total changes | | | 4 792 433 |
| Balance at 30 June 2020 | | | 57 195 849 |
| | | | 57 195 849 |

City of Johannesburg Metropolitan Municipality
 Group Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

| Figures in Rand thousand | Note(s) | Accumulated surplus | Total equity |
|--------------------------------|-------------------|------------------------|-----------------|
| CJMM | | | |
| Balance at 01 July 2018 | 32 570 991 | 32 570 991 | |
| Changes in net assets | | | |
| Surplus for the year | 4 512 693 | 4 512 693 | |
| Total changes | 4 512 693 | 4 512 693 | |
| Balance at 01 July 2019 | 37 083 684 | 37 083 684 | |
| Changes in net assets | | | |
| Surplus for the year | 3 249 061 | 3 249 061 | |
| Total changes | 3 249 061 | 3 249 061 | |
| Balance at 30 June 2020 | 40 332 745 | 40 332 745 | |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Cash Flow Statement

| Figures in Rand thousand | Note(s) | GROUP | | CJMM | | |
|--|-----------|---------------------|---------------------|---------------------|---------------------|--|
| | | 2020 | 2019 Restated* | 2020 | 2019 Restated* | |
| Cash flows from operating activities | | | | | | |
| Receipts | | | | | | |
| Cash receipts from customers | | 37 610 877 | 37 469 097 | 13 113 997 | 11 310 007 | |
| Grants | | 11 882 283 | 10 891 104 | 11 151 383 | 10 314 004 | |
| Interest income | | 464 349 | 839 864 | 1 243 338 | 1 233 156 | |
| | | 49 957 509 | 49 200 065 | 25 508 718 | 22 857 167 | |
| Payments | | | | | | |
| Cash paid to suppliers and employees | | (41 362 949) | (37 948 836) | (18 600 038) | (14 720 058) | |
| Finance costs | | (2 264 589) | (2 434 266) | (2 504 972) | (2 519 028) | |
| Taxes on surpluses | | (31 784) | (268 598) | - | - | |
| | | (43 659 322) | (40 651 700) | (21 105 010) | (17 239 086) | |
| Net cash flows from operating activities | 42 | ■ ■■ 187 | ■ ■■ ■■ | 4 483 ■■■ | ■ 618 081 | |
| Cash flows from investing activities | | | | | | |
| Purchase of capital assets | | (5 929 408) | (7 397 063) | (4 142 961) | (5 212 706) | |
| Loans redeemed from Municipal entities | | - | - | 637 642 | 917 675 | |
| Finance lease receivables | | - | - | 78 256 | 80 724 | |
| Investment in Municipal entities | | - | - | (8 109) | (14 984) | |
| Other financial assets | | 931 | (9 350) | 931 | (9 350) | |
| Loans to Municipal entities | | - | - | (573 743) | (487 646) | |
| Net cash flows from investing activities | | (5 928 477) | (7 406 413) | (4 007 984) | (4 726 287) | |
| Cash flows from financing activities | | | | | | |
| Proceeds from borrowings | | 1 000 000 | 4 349 726 | 1 000 000 | 4 349 726 | |
| Repayments of Liabilities from Municipal Entities | | - | - | (16 036) | (16 036) | |
| Finance lease obligation | | (131 740) | (45 343) | (131 740) | (45 343) | |
| Repayment of borrowings | | (948 044) | (2 208 232) | (948 044) | (2 208 232) | |
| Repayment of post-retirement benefits | | (138 011) | (138 749) | (109 636) | (116 736) | |
| Repayment of provisions | | - | - | (7 703) | (3 495) | |
| Net cash flows from financing activities | | (217 795) | 1 957 ■■■ | (213 159) | 1 959 ■■■ | |
| Net (decrease)/increase cash and cash equivalents | | 151 ■■■ | 3 099 ■■■ | 182 565 | ■ ■■ 678 | |
| Cash and cash equivalents at the beginning of the year | | 5 339 214 | 2 ■■■ 860 | 4 673 485 | 1 821 807 | |
| Cash and cash equivalents at the end of the year | 12 | ■ ■■ 129 | ■ 339 214 | ■ 856 050 | ■ 673 485 | |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget ■ Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|---------------------|------------------|---------------------|------------------------------------|--|-----------|
| Figures in Rand thousand | | | | | | |
| GROUP | | | | | | |
| Statement of Financial Performance | | | | | | |
| REVENUE | | | | | | |
| REVENUE BY SOURCE | | | | | | |
| Property rates | 12 292 ■■■ | - | 12 292 550 | 12 552 224 | 259 674 | 1 |
| Service charges | 31 813 833 | (653 326) | 31 160 507 | 29 825 424 | (1 335 083) | 2 |
| Investment revenue | 677 291 | 12 593 | ■■■ 884 | 464 349 | (225 ■■■) | 3 |
| Transfers recognised - operational | ■ 037 510 | 4 129 | ■■■ ■■■ | 8 517 627 | (524 012) | 4 |
| Rental of facilities and equipment | 405 054 | (42 811) | ■■■ 243 | 359 155 | (3 ■■■) | |
| Gains ■■■ disposal of PPE | 56 215 | (56 215) | - | - | - | |
| Agency fees | 765 608 | (35 174) | ■■■ 434 | ■■■ 646 | (36 788) | |
| Fines | 1 004 523 | - | 1 004 523 | 1 066 621 | ■ 098 | |
| Other own revenue | 1 432 ■■■ | (80 421) | 1 352 412 | 1 968 008 | 615 ■■■ | 5 |
| Total Revenue (excluding capital transfers and contributions) | ■■■ 417 | (851 225) | 56 634 192 | 55 447 054 | (1 187 138) | |
| EXPENDITURE BY TYPE | | | | | | |
| Employee costs | (15 085 407) | 122 975 | (14 962 432) | (14 795 278) | 167 154 | |
| Remuneration of councillors | (181 408) | - | (181 408) | (166 267) | 15 141 | |
| Debt impairment | (4 136 711) | (869 048) | (5 005 759) | (5 866 691) | (860 932) | 6 |
| Depreciation & asset impairment | (4 289 935) | 38 891 | (4 251 044) | (3 256 269) | 994 775 | 7 |
| Finance charges | (2 807 395) | (227) | (2 807 622) | (2 264 589) | 543 033 | 8 |
| Bulk purchases | (18 393 191) | 903 455 | (17 489 736) | (17 670 956) | (181 220) | |
| Other expenditure | (11 845 630) | (19 514) | (11 865 144) | (9 310 283) | 2 554 861 | |
| Total expenditure | (56 ■■■ 677) | 176 ■■■ | (56 563 145) | (53 330 333) | ■ 232 812 | |
| Deficit | ■■■ ■■■ | (674 693) | 71 047 | ■ 116 721 | ■ 045 ■■■ | |
| Transfers recognised - capital | 2 745 480 | 363 030 | ■ 108 510 | ■ 658 532 | (449 978) | 9 |
| Contributions recognised - capital ■■■ contributed assets | 442 488 | - | ■■■ ■■■ | - | (442 488) | 10 |
| Deficit after capital transfers ■■■ contributions | 3 888 788 | (311 663) | ■ 622 041 | 4 775 253 | 1 153 208 | |
| Taxation | (35 731) | (11 790) | (47 521) | 17 180 | ■ 701 | |
| Deficit for the year | 3 852 957 | (323 453) | ■ 574 ■■■ | ■ 792 ■■■ | 1 217 909 | |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--------------------------|-----------------|-------------|--------------|------------------------------------|--|-----------|
| Figures in Rand thousand | | | | | | |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--------------------------|-----------------|-------------|--------------|------------------------------------|--|-----------|
| Figures in Rand thousand | | | | | | |

1. Property rates

Property rates earned was 2,11% higher than what was budgeted largely due to changes in property market values.

2. Services charges

Water ■ Electricity

Water ■ electricity service revenue is below budget due to the national lockdown causing non-essential commercial businesses to halt operations and close down, therefore reducing overall consumption of water and electricity even though home consumption increased due to residents being confined to their homes during the hard lockdown (Level 5 and 4) Service charges for electricity are also less than the budget due to a decrease in kilowatt-hour's sold.

3. Investment revenue

The shortfall is mainly due to the South African Reserve Bank announcing ■ series of reductions in the repo rate in the recent months. The resultant reduction in interest rates means investors will earn less interest on their investments.

4. Transfers recognised - Capital and Operational

Conditional grant revenue realised was lower than budgeted as the national lockdown prevented certain expenditure from being incurred resulting in a large amount of conditional grants remaining unspent

5. Other Revenue

The favourable result ■ largely due to the fair value adjustment income recognized by CJMM in the financial year relating to sinking fund..

■ Debt impairment

Increase is due to the credit control measures being suspended as a result of the Lockdown Regulation implemented by National Government resulting in an unanticipated decline in the collection of overdue debtors. The contribution towards the Provision for bad debts was higher than anticipated and this is as ■ result of poor payment levels which are currently below the budgeted payment levels, customers are continuing to default in their current and old debts.

7. Depreciation and amortisation

Depreciation is under budget due to assets under construction being completed later than anticipated. In addition, the restatement of useful lives across the Group have also decreased the depreciation that was levied as the useful lives were increased.

8. Finance Charges

Finance cost ■ lower than budgeted due to the planned increase in long term borrowing not being obtained as forecasted for the financial year. The decrease was also due to the significant reduction on the REPO rates by South African Reserve Bank

9. Other expenditure

Other expenditure was below budget due ■ ■ reduction in operational costs that were initially forecasted. This was as a result of COVID-19 restrictions and prioritising of essential services across the City. These expenditures are on items such as utilities, conferences and seminars, consulting and professional fees and travelling.

Joburg Water

The under expenditure on contracted services is attributable ■ delays in project implementation. The delays were largely caused by non-awards ■ well as meter verification projects impacted by community protest action.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--------------------------|-----------------|-------------|--------------|------------------------------------|--|-----------|
| Figures in Rand thousand | | | | | | |

10. Public contributions, donated and contributed property, plant and equipment

This income is based on developer's interest in contributing towards infrastructure and it is not always determinable when developers will be making those contributions. The favourable variance is attributable to the income from developer funded assets and bulk contributions received during the year which was higher than anticipated in the budget.

City of Johannesburg Metropolitan Municipality
 Group Annual Financial Statements for the year ended 30 June 2020

Appropriation Statement

| | Original budget | Budget adjustments (i.t.o. s31 of the MFMA) | Final adjustments (i.t.o. s31 of the MFMA) | Shifting funds (i.t.o. council or the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---------------------|---|--|---|---|---------------------|---------------------|--------------------------|------------------|-------------------------------------|--|
| GROUP - 2020 | | | | | | | | | | | |
| Financial Performance | | | | | | | | | | | |
| Agency fees | 765 000 | (35 174) | 730 434 | - | - | 730 434 | 693 646 | (36 788) | 95 % | 91 % | |
| Finance income | 677 291 | 12 079 | 689 884 | - | - | 689 884 | 464 349 | (225 535) | 67 % | 69 % | |
| Fines, penalties and forfeits | 1 004 524 | - | 1 004 523 | - | - | 1 004 523 | 1 066 621 | 62 098 | 106 % | 106 % | |
| Gains on disposal of PPE | 56 215 | (56 215) | - | - | - | - | - | - | DIV/0 % | - % | |
| Rental of services | 31 813 111 | (653 326) | 31 160 507 | - | - | 31 160 507 | 29 825 424 | (1 335 083) | 96 % | 94 % | |
| Rental of facilities and equipment | 405 054 | (42 811) | 362 243 | - | - | 362 243 | 359 155 | (3 088) | 99 % | 89 % | |
| Government grants and subsidies | 9 037 510 | 4 128 | 9 041 639 | - | - | 9 041 639 | 8 517 627 | (524 012) | 91 % | 94 % | |
| Property rates | 12 292 550 | - | 12 292 550 | - | - | 12 292 550 | 12 552 224 | 259 674 | 102 % | 102 % | |
| Other revenue | 1 432 833 | (80 421) | 1 352 412 | - | - | 1 352 412 | 1 968 008 | 615 500 | 146 % | 137 % | |
| Total revenue(Excluding capital transfers and contributions) | 57 415 417 | (831 226) | 56 634 192 | - | - | 56 634 192 | 52 447 054 | (1 137 138) | 98 % | 96 % | |
| Employee costs | (15 085 407) | 122 975 | (14 962 432) | - | - | (14 962 432) | (14 795 278) | - | 167 154 | 99 % | 99 % |
| Bulk purchases | (18 393 191) | 903 455 | (17 489 736) | - | - | (17 489 736) | (17 670 956) | - | (181 220) | 101 % | 96 % |
| Debt impairment | (4 136 711) | (869 048) | (5 005 759) | - | - | (5 005 759) | (5 866 691) | - | (860 932) | 117 % | 142 % |
| Depreciation and asset impairment | (4 289 935) | 38 891 | (4 251 044) | - | - | (4 251 044) | (3 256 269) | - | 994 775 | 77 % | 76 % |
| General expenses | (11 845 630) | (19 514) | (11 865 144) | - | - | (11 865 144) | (9 310 283) | - | 2 554 861 | 78 % | 79 % |
| Finance charges | (2 807 395) | (227) | (2 807 622) | - | - | (2 807 622) | (2 264 589) | - | 543 033 | 81 % | 81 % |
| Remuneration of councillors | (181 408) | - | (181 408) | - | - | (181 408) | (166 267) | - | 15 141 | 92 % | 92 % |
| Total expenditure | (56 718 677) | 176 533 | (56 563 145) | - | - | (56 563 145) | (53 333 333) | - | 3 137 612 | 94 % | 94 % |
| Surplus/ (Deficit) | 745 740 | (674 445) | 71 047 | - | - | 71 047 | ■ 116 721 | - | 2 046 874 | 2 979 % | 2 979 % |

City of Johannesburg Metropolitan Municipality
 Group Annual Financial Statements for the year ended 30 June 2020

Appropriation Statement

| Figures in Rand thousand | Original budget | Budget adjustments (i.t.o. s28 and budget set by the MFMA) | Final adjustments (i.t.o. s31 council of the MFMA) | Virement of funds (i.t.o. s31 council of the MFMA) | Shifting of funds (i.t.o. s31 council of the MFMA) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|------------------|--|--|--|--|------------------|------------------------|--------------------------|------------------------|-------------------------------------|--|
| Transfers recognised - capital | 745 480 | 363 030 | 108 510 | - | 3 108 510 | 2 658 532 | (449 978) (442 488) | - | (449 978) (442 488) | - % | - % |
| Contributions recognised - capital and contributed assets | 442 488 | - | 442 488 | - | - | - | - | - | - | - % | - % |
| Surplus/ (Deficit) after capital contributions | 1 211 708 | (311 663) | 3 622 045 | - | ■ 622 045 | 4 775 ■ | 1 153 208 | 132 % | 132 % | 121 % | |
| Taxation | 35 731 | 11 790 | 47 521 | - | 47 521 | (17 180) | (64 701) | (36)% | (36)% | (48)% | |
| Surplus/ (Deficit) for the year | ■ 897 977 | (323 453) | 3 574 524 | - | 3 ■74 724 | 4 772 435 | 1 217 ■ | 134 % | 134 % | 123 % | |
| Capital expenditure and funds sources | | | | | | | | | | | |
| Total capital expenditure | 7 754 430 | 493 030 | 8 247 460 | - | 8 247 460 | 6 219 893 | (2 027 567) | - % | - % | - % | |

City of Johannesburg Metropolitan Municipality
 Group Annual Financial Statements for the year ended 30 June 2020

Appropriation Statement

| Figures in Rand thousand | Original budget | Budget adjustments (i.t.o. and budget s31 of the MFMA) | Final adjustments (i.t.o. and budget s31 of the MFMA) | Shifting funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | |
|--|---------------------|--|---|---|---|---------------------|--------------------------------|--------------------------|-----------------|-------------------------------------|----------------------|
| | | | | | | | | | | ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ | |
| CJMM | | | | | | | | | | | |
| Financial Performance | | | | | | | | | | | |
| Property rates | 12 292 550 | - | 12 292 550 | - | | 12 292 550 | 12 512 224 | | ■ 674 | 102 % | |
| Service charges | 5 195 112 | (102 950) | 4 165 62 | | | 4 165 62 | 266 608 | | (159 954) | 62 % | ■ 49 ■ |
| Investment revenue | 1 477 591 | 243 825 | 1 721 416 | | | 1 721 416 | 1 585 776 | | (155 640) | 91 % | 106 % |
| Transfers - recognised - operational | 9 016 250 | (13 633) | 9 002 617 | | | 9 002 617 | 7 382 56 | | (264 361) | 98 % | 98 % |
| Other revenue | 3 011 205 | (287 187) | 2 724 018 | | | 2 724 018 | 1 008 324 | | | 284 306 | 110 % |
| Total revenue | 26 317 118 | (159 945) | 26 157 163 | | | 26 157 163 | ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ | | (35 975) | 100 % | 99 % |
| (excluding capital transfers and contributions) | | | | | | | | | | | |
| Employee costs | (9 170 016) | 373 795 | (8 796 221) | | | (8 796 221) | (8 704 285) | | - | 91 920 | 99 % |
| Remuneration of councillors | (181 408) | - | (181 408) | | | (181 408) | (166 267) | | - | 15 141 | 92 % |
| Debt impairment | (1 228 750) | (15 115) | (1 243 865) | | | (1 243 865) | (1 747 619) | | - | (503 754) | 140 % |
| Depreciation and asset impairment | (2 878 706) | (2 871) | (2 881 577) | | | (2 881 577) | (2 205 085) | | - | 676 492 | 77 % |
| Finance charges | (2 856 664) | (109 202) | (2 965 866) | | | (2 965 866) | (2 670 715) | | - | 295 151 | 90 % |
| Transfers and grants | (4 501 964) | (357 108) | (4 000 072) | | | (4 859 072) | (4 805 008) | | - | 54 064 | 99 % |
| Other expenditure | (5 703 889) | (226 155) | (5 930 044) | | | (5 930 044) | (4 474 499) | | - | 1 503 545 | 75 % |
| Total expenditure | (36 521 397) | (159 945) | (26 157 163) | | | (26 157 163) | (24 725 478) | | - | 2 132 575 | ■ % |
| Surplus/(Deficit) | (204 289) | (496 601) | (700 890) | | | (700 890) | 1 351 710 | | - | 2 096 600 | (199)% (683)% |

City of Johannesburg Metropolitan Municipality
 Group Annual Financial Statements for the year ended 30 June 2020

Appropriation Statement

| Figures in Rand thousand | Original budget | Budget adjustments (i.t.o. s28 and budget of the MFMA) | Final adjustments (i.t.o. s28 and budget of the MFMA) | Virement of funds (i.t.o. council of the MFMA) | Final budget (i.t.o. council of the MFMA) | Actual outcome | Unauthorised expenditure | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|------------------|--|---|--|---|------------------|--------------------------|-------------------------------------|--|
| Transfers recognised - capital Contributions | 2 245 073 | 353 030 | 2 598 103 | - | 2 598 103 | 1 834 958 | (763 145) | 71 % | 82 % |
| recognised - capital and contributed assets | - | 780 | 780 | - | 780 | 18 322 | 17 615 | - % | - % |
| Surplus (Deficit) after capital transfers and contributions | ■ 040 784 | (142 791) | 1 697 993 | - | 1 697 993 | 1 209 063 | 1 351 070 | 171 % | 159 % |
| Surplus/(Deficit) for the year | ■ 040 784 | (142 791) | 1 697 993 | - | 1 697 993 | 3 249 063 | 1 351 070 | 171 % | 159 % |
| Capital expenditure and funds sources | | | | | | | | | |
| Total capital expenditure | 3 613 384 | 4 046 414 | - | 4 046 414 | 4 013 331 | (33 083) | - % | - % | |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended ■ June 2020

Accounting Policies

1. Statement of compliance

Basis of Preparation and Presentation

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the Municipal Finance Management Act (MFMA) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless specified otherwise.

Presentation Currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

Going Concern

These annual financial statements have been prepared ■ the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting ■ have been identified in ■ current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there ■ been a change in accounting policy in the current year, the adjustment is made retrospectively ■ far as is practicable, and the prior year comparatives are restated accordingly.

1.1 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or ■ combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and ■ willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected ■ be influenced in making and evaluating decisions.

1.2 Consolidation

■ of consolidation

The consolidated Group Annual Financial Statements comprise the Annual Financial Statements of CJMM and all entities controlled by CJMM, presented as those ■ a single entity.

Control exists when CJMM has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

Balances, transactions, revenues and expenses between entities within the Group are eliminated in full on consolidation.

1.3 Significant judgements and ■ of estimation uncertainty

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Significant judgements include:

Impairment of financial assets

Where objective evidence of impairment loss on financial assets measured at amortised cost exists, the present value of the future cash flows of the financial assets discounted at the financial asset's original effective rate is determined and compared to the carrying value of the financial assets. The carrying amount of asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognised in the statement of financial performance.

Allowance for slow moving, damaged and obsolete stock

Management makes an estimate of the selling price and direct cost to sell to determine the net realisable value of inventory items. Allowance for obsolete stock is recognised when stock is slow moving and/or will not be used. The difference between the cost of inventory and the net realisable value is recognised in the statement of financial performance.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price. Where there is no active market, fair value is determined using valuation techniques. Such valuation techniques include using recent arm's length market transactions, reference to current market values of other similar instruments, discounted cash flow analysis and option pricing models.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality then estimate the recoverable service amount of the asset.

The recoverable amounts of cash-generating units and individual assets are determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the fair value assumption may change which may then impact estimations and may then require a material adjustment to the carrying value of cash-generating units and individual assets.

The excess of the carrying amounts over the recoverable amount is recognised as impairment loss in the statement of financial performance.

Provisions, contingent liabilities and contingent assets

Management's judgement is required when recognising and measuring provisions as well as contingent liabilities and contingent assets. Provisions are raised based on the information available to management, and past knowledge.

A provision is recognised when the municipality has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

The estimates are discounted at a discount rate that reflects current market assessments of the time value of money

Expected manner of realisation for deferred tax

Deferred tax is provided for based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.3 Significant judgements and ■■■■■ of estimation uncertainty (continued)

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

■■■■■ retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The group determines the appropriate discount rate at the end of each year. This is the interest rate used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainties.

Impairment of receivables

Impairment of receivables represent management's best estimate based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments. This is performed on each category of debtors across all debtor classes.

Useful life of PPE

The useful life of assets are based on management's estimates. Management considers the impact of technology, service requirements and the required return on assets to determine the optimum useful life expectation, where appropriate. The estimated residual value of assets is also based on management's judgement which takes into account the condition of assets at the end of their useful lives.

Budget information

For differences between budget and actual amounts management considers the amount and the nature of the difference and makes judgement as to which differences are regarded as material. All material differences are explained in the notes to the annual financial statements.

1.4 Zoo animals

Zoo animals are accounted for in terms of GRAP 17 as items of property, plant and equipment. The majority of animals received as donations and transfers from other similar institutions for no consideration or from procreation. These assets are recorded at a fair value at the time of donation or transfer, and are depreciated accordingly.

Market determined prices or values are not available for certain animals due to lack of market because they are not commodities, as well as restrictions on trade of exotic animals which precludes the determination of a fair value. The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.4 Zoo animals (continued)

The Johannesburg Zoo also acquires animals through supply chain processes and these newly acquired animals are carried at cost less accumulated depreciation and any impairment losses. The offspring of newly acquired animals shall be recorded at a fair value at the time of birth and will also be depreciated accordingly.

The useful lives of animals listed below reflect useful lives of the different classes of animals in the Johannesburg Zoo. Within the different classes of animals are a number of different species whose useful lives differ. Therefore the useful lives of zoo animals listed below reflect the useful lives of the different species contained within a specific class of animals.

The longevity of zoo animals has been assessed as follows:

| | |
|-----------|------------|
| Amphibia | 4-16 years |
| Arachnida | 2-20 years |
| Aves | 4-6 years |
| Mammalia | 6-64 years |
| Pisces | 1-35 years |
| Reptilia | 7-80 years |
| Insecta | 4 years |

1.5 Investment property

Investment property is recognised as an asset when and only when it is probable that future economic benefits or service potential that is associated with the investment property will flow to the entity and the cost or fair value can be reliably measured.

Investment property is initially measured at cost. Transaction costs are included in the initial measurement.

Subsequent measurement

Under the cost model, investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Investment properties, with the exception of land, are depreciated on the straight-line basis over their expected useful lives as follows:

| Item | Useful life |
|----------------------|-------------|
| Property - Buildings | 30 years |
| Property -Land | Unlimited |

The useful life and the depreciation method for investment properties are reviewed at each reporting date.

Investment properties are tested for impairment whenever there is an indication that the asset may be impaired.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use.

Derecognition

An investment property is derecognised upon disposal or when it is permanently withdrawn from use, and when no future economic benefits or service potential are expected from its use. Any gain or loss arising from the retirement or disposal is recognized in the statement of financial performance.

1.6 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

All items of property, plant and equipment (PPE) are initially recognised at cost, which includes the purchase price and any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

Where an item of PPE is acquired through a non-exchange transaction, its cost is measured at fair value as at the date of acquisition.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.6 Property, plant and equipment (continued)

Subsequent measurement:

PPE are shown at cost, less accumulated depreciation and any accumulated impairment. Land is measured at cost, less any impairment in value and is not depreciated, since the useful life is considered to be indefinite.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready and available for its use as intended by management.

Property, plant and equipment with the exception of land are depreciated on the straight line basis over their expected useful lives to their estimated residual values. The depreciation method used for each asset reflects the pattern in which the asset's economic benefits or service potential has been expected to be consumed by the Municipality.

Assets held under finance leases are depreciated on the lower of lease term or expected useful lives in the same way as owned assets. When it is reasonable certain that ownership will be transferred to the lessee at end of lease term, then leased asset will be depreciated over the useful life of the asset which is consistent with that for depreciable assets that are owned. Depreciation is recognised in the statement of financial performance.

Subsequent expenditure is included in the cost of the asset when incurred, if it is probable that such expenditure will result in future economic benefits associated with the item flowing to the Municipality, and the cost can be measured reliably.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment and also depreciated separately.

The residual values, useful lives and depreciation methods applied to assets are reviewed at each financial year-end based on relevant market information and management consideration.

Property, plant and equipment are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Average useful life (Years) |
|------------------------------|--|
| Buildings | 18 - 60 years |
| Plant and Equipment | 2 - 85 years |
| Furniture and fittings | 2 - 25 years |
| Motor vehicles | 3 - 20 years |
| Office equipment | 2 - 20 years |
| Computer equipment | 2 - 15 years |
| Bins and containers | 5 - 10 years |
| Infrastructure | 10 - 30 years |
| Community assets | 3 - 30 years |
| Emergency Equipment | 5 - 15 years |
| Wastewater and Water Network | |
| Pump stations - Civil | 60 - 100 years |
| Pump stations - Mechanical | 5 - 15 years |
| Pump stations - Electrical | 7 - 16 years |
| Water meters | 4 - 13 years |
| Pipelines and other | 60 - 100 years |
| Landfill Site | Determined annually based on the available space |
| Specialised vehicles | 5- 40 years |
| Other | 2 - 40 years |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.6 Property, plant and equipment (continued)

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value, and is recognised in the statement of financial performance.

The Group derecognises property, plant and equipment on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the property, plant and equipment. Such difference is recognised in the statement of financial performance.

1.7 Intangible assets

An intangible asset is recognised when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Subsequent Measurement

Intangible assets are carried at cost less any accumulated amortisation and impairment losses.

Amortisation commences when the intangible assets are available for their intended use. The amortisation period and method for intangible assets with finite useful lives are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Intangible assets with finite useful lives are amortised on the straight-line basis over the useful lives of assets.

For intangible assets with an indefinite useful life, no amortisation is provided but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. However, the Municipality reviews the useful life of an intangible asset that is not being amortised each reporting period to determine whether events or circumstances continue to support an indefinite useful life assessment for that asset.

Amortisation is provided to write down the intangible assets, on the straight line basis, to their residual values as follows:

| Item | Useful life |
|---|-------------|
| Additional capacity rights | 10 years |
| Servitudes | Indefinite |
| Computer software, internally generated | 8 years |
| Computer software | 2-8 years |

By their nature, servitudes confer upon the holder a right in perpetuity over the property and as these rights have an indefinite useful life, they are not amortised.

1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
- (b) the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset shall be measured at cost.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.8 Heritage assets (continued)

Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Subsequent measurement.

Heritage assets are recognised at cost less accumulated impairment. Due to high residual values and long economic lives, the Municipality does not depreciate heritage assets.

Transfers to heritage assets are made only when the asset meets the definition of a heritage asset, and transfers from heritage assets are made only when the asset no longer meets the definition of a heritage asset. Principles of assets transferred to heritage assets apply up until the date of transfer.

Heritage assets are tested for impairment annually and whenever there is an indication that the asset may be impaired.

1.9 Investments in Municipal Entities

In the municipality's separate annual financial statements, investments in municipal entities are carried at cost less any accumulated impairment.

1.10 Investment in Joint Ventures

An investment in joint ventures is accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the surpluses or deficits of the investee after acquisition date. The use of the equity method is discontinued from the date the group ceases to have joint control over a joint venture.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

An interest in a jointly controlled company is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with Standard of GRAP on non-current assets held-for-sale and discontinued operations. Under the equity method, interests in jointly controlled entities are carried in the consolidated statement of Financial position at cost adjusted for post-acquisition changes in the company's share of net assets of the company, less any impairment losses. Surpluses and deficits on transactions between the company and a joint venture are eliminated to the extent of the company's interest therein.

The most recent available annual financial statements of the joint ventures are used by the investor in applying the equity method.

Distributions received from the joint ventures reduce the carrying amount of the investment.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.11 Investment in Associate

An investment in an associate is accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the surpluses or surplus (deficit) of the investee after acquisition date. The use of the equity method is discontinued from the date the group ceases to have significant influence over an associate.

Any impairment losses are deducted from the carrying amount of the investment in associate.

Distributions received from the associate reduce the carrying amount of the investment.

Surpluses and surplus (deficit) resulting from transactions with associates are recognised only to the extent of unrelated investors' interests in the associate.

The excess of the group's share of the net fair value of an associate's identifiable assets, liabilities and contingent liabilities over the cost is excluded from the carrying amount of the investment and ■ instead included as revenue in the period in which the investment is acquired.

The most recent available annual financial statements of the associate are used by the investor in applying the equity method.

The recognition of the group's share of losses is discontinued once the group's share of losses of an associate equals or exceeds its interest in the associate.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.12 Financial instruments

Financial Assets

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Financial assets other than those at fair value are assessed for indicators of impairment at the end of each reporting period. Impairment is considered when there is objective evidence that, ■■ result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Municipality has transferred substantially all risks and rewards of ownership, or when the enterprise loses control of contractual rights that comprise the assets.

To the extent that ■ financial asset has a maturity period of longer than 12 months, the value of these instruments will be reflected as a non-current asset.

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition (trade date).

Investments at cost

Financial assets at fair value

Financial assets at fair value comprise of derivatives and non-derivative financial instruments designated at fair value. On initial recognition the financial assets are measured at fair value. Subsequent to initial recognition, all changes in fair value are recognised through the statement of financial performance.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Revenue from exchange and non exchange transactions

Trade receivables and consumer debtors are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of financial performance when there is objective evidence that the asset is impaired.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable and consumer debtors are impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the **■** of an allowance account, and the amount of the deficit is recognised in the statement of financial performance within operating expenses. When trade receivables and consumer debtors are uncollectible, it is written off against the allowance account for trade receivables and consumer debtors once council approval is obtained. Subsequent recoveries of amounts previously written off are credited in the statement of financial performance.

Financial liabilities

Interest-bearing external loans and bank overdrafts are recorded net of direct issue costs.

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method, except for financial liabilities at fair value through profit or loss or hedging instruments, which are measured at fair value.

Finance costs on financial liabilities at amortised cost are expensed in the statement of financial performance in the period in which they are incurred using the effective interest rate method. In addition, gains and losses on these financial liabilities are recognised in the statement of financial performance when the liability is derecognised.

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1.12 Financial instruments (continued)

Gains and losses on financial liabilities at fair value through profit or loss arise from fair value movements and related transaction costs on these liabilities. These gains and losses are recognised in the statement of financial performance in the period in which they are incurred.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

Loans to/ from Municipal entities

Loans to/ from municipal entities are classified as Assets which are initially recognised at fair value and subsequently measured at amortised cost.

Payables from exchange

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Offsetting Financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Hedge accounting (derivatives)

The municipality holds derivative financial instruments to hedge its interest rate risk exposures.

On initial designation of the derivative as the hedging instrument, the municipality formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The municipality makes an assessment, both at the inception of the hedge relationship as well ■■■ on an on-going basis, of whether the hedging instruments are expected ■■■ to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 – 125 percent. For ■■■ cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported statement of financial performance.

Derivatives are recognised initially at fair value, and attributable transaction costs are recognised in the statement of financial performance as incurred.

Subsequent to initial recognition, derivatives ■■■ measured at fair value, and changes therein ■■■ accounted for as described below.

~~Cash Flow~~ hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect statement of financial performance, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in net assets. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the statement of financial performance.

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in the statement of financial performance.

1.13 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

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1.13 Statutory receivables (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The group recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The group initially measures statutory receivables at their transaction amount.

Subsequent measurement

The group measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Derecognition

The group derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the group transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the group, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.14 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

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1.14 Tax (continued)

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

Deferred assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

1.15 Leases

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance - lessor

Group recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the group's net investment in the finance lease.

Finance leases - lessee

The Group recognises assets and liabilities acquired under finance leases as assets and the associated obligation as liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments.

Minimum lease payments are apportioned between the finance charge and the outstanding capital portion, using the effective interest rate method. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability.

Operating leases - lessor

Operating lease revenue is recognised as revenue on the straight-line basis over the lease term..

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on the straight-line

Operating leases - lessee

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Accounting Policies

1.15 Leases (continued)

Operating lease payments are recognised as an expense on the straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments [REDACTED] recognised as an operating lease asset or liability.

The aggregate benefit of incentives ■ recognised as a reduction of rental expense over the lease term ■ the straight-line basis.

1.16 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, their costs are their fair value ■ at the date of acquisition.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Subsequent measurement inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Management estimate, based on their assessment of quality and volume, the extent to which inventory on hand at the reporting date will be sold below cost.

Current replacement cost ■ the cost the group incurs to acquire the asset on the reporting date.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Derecognition

The municipality derecognises inventory on disposal, or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of inventory is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the inventory. Such difference is recognised in statement of financial performance.

1.17 Impairment of cash and non-cash generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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1.17 Impairment of cash and non-cash generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset ■ ■ cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the group; or
 - the number of production or similar units expected to be obtained from the asset by the group.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, ■■■ as follows:

[Specify judgements made]

Reversal of Impairment loss

The group assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss ~~was~~ recognised. The carrying amount of the asset ~~is~~ increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
 - the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.18 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is the loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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Accounting Policies

1.18 Impairment of non-cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of ■■■■■ asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an ■■■■■ is expected to be used by the group; or
- the number of production or similar units expected to be obtained from the asset by the group.

Reversal of an impairment loss

The group assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the group estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for ■ non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, ■■■■■ depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.19 Internal reserves

Compensation for occupational injuries and diseases (COID) reserve

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1.19 Internal ~~reserves~~ (continued)

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is aimed to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, ~~as~~ for death resulting from such injuries or diseases. The contribution to the COID fund is 0.75% of the salary expense.

The municipality is an exempt employer in terms of Section 84 (1) (a) (ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the municipality is mandated to establish ~~its~~ own fund and administers this fund in terms of the COID Act.

The certificate of exemption issued by the Commissioner and prescribed by the COID Act requires the Municipality to deposit cash and/or securities with the Commissioner, the market values of which in aggregate shall not be ~~more than~~ than the capitalised value of the Municipality's continuing liability as at 31 December of each year.

The continuing liability is that of annual pensions, the capitalised value of which is determined on the basis of an actuarial determination prescribed by the Commissioner.

A COID reserve has been established to equate to the value of the continuing liability. The market value of the securities ~~is~~ determined annually by the Commissioner, and the Municipality is required to meet any shortfall in the aggregate value of the securities as at 31 December. Monthly pensions are funded by transferring funds from the reserve to the expense account in the statement of financial performance.

1.20 Budget information

The approved budget is prepared on an accrual ~~basis~~ and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019 to 2020.

The group annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.21 Employee ~~benefits~~

Short-term employee ~~benefits~~

The cost of short-term employee benefits, (those payable within 12 months after the service ~~is~~ rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service ~~is~~ rendered and are not discounted.

The expected cost of compensated absences is recognised ~~as~~ an expense ~~when~~ the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments ~~is~~ recognised as an expense when there is ~~a~~ legal or constructive obligation to make such payments as a result of past performance.

The Municipality recognises the expected cost of bonus, incentive and performance related payments when and only when:

- (a) it has ~~a~~ present legal or constructive obligation to make such payments as a result of past events,
- (b) ~~a~~ reliable estimate of the obligation can be made.

The City contributes to defined contribution plan and defined benefit plan.

Defined contribution plans

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent ~~to~~ those arising in a defined contribution retirement benefit plan.

Defined benefit plans

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1.21 Employee benefits (continued)

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit funds are actuarially valued on the projected credit method.

Consideration is given to any event that could impact the funds up to end of the reporting period where the valuation is performed at an earlier date.

Past service costs are recognised immediately in the statement of financial performance in the reporting period in which the plan is amended.

Actuarial gains and losses are recognised in full in the statement of financial performance when they arise.

The Group provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some employees based on the qualification criteria.

Multi-employer plans

The municipality classifies a multi-employer plan either as a defined contribution plan or a defined benefit plan. Under the defined benefit plan, the Municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

1.22 Provisions and contingencies

Provisions are recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and:

- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Where the effect of the time value of money is material, the amount of the provision is discounted to present value at the discount rate which is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the group settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Additional disclosures of estimates of provisions are included in the provisions note.

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Accounting Policies

1.22 Provisions and contingencies (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The group recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

1.23 Revenue from exchange transactions

Revenue is recognised at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Revenue from sale of Bus ticket points

Revenue from the sale of ticket points is accounted for as a separately identifiable component of a sale for normal points and bonus points. Each point is equivalent to the value of one rand. Bonus points are earned by customers only on purchase of points above the value of R50. Any bonus points not redeemed in 36 months (3 years) are subject to expiry thereafter any deferred revenue previously recognised is then recognised as revenue.

Revenue arising from sale of bus tickets for both normal and bonus points is initially accounted for as deferred revenue (liability) in the statement of financial position and only recognised as revenue upon redemption of normal or bonus points, or upon the expiry date.

Revenue is recognised at fair value for normal points. Bonus points are also recognised at fair value which is equivalent to the cost of transferring the points. The consideration allocated to the bonus points is measured by reference to the amount which the bonus points could be sold separately.

At the end of each period, deferred revenue is recognised which is measured at fair value of points earned which are yet to be redeemed.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the group;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on the straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

Income from agency services

Revenue arising from situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of commission or fee payable to the municipality for services performed.

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Accounting Policies

1.23 Revenue from exchange transactions (continued)

Finance income

Interest is recognised on a time- proportion basis, in surplus or deficit, using the effective interest rate method.

1.24 Revenue from non-exchange transactions

An inflow of resources from non-exchange transactions recognised as an asset shall be recognised as revenue, except to the extent that ■ liability ■ also recognised in respect of the same inflow.

Fines

The group has two types of fines :

- Traffic fines issued in terms of the Criminal Procedures Act
- Traffic fines issued in terms of the Administrative Adjudication of Road Traffic Offences Act (AARTO ACT).

Criminal Procedures Act fines:

These fines are issued in terms of the Criminal Procedures Act and are usually issued by way of notice ■ offenders, and can:

- (a) indicate the value of the fine ■ be paid, and that certain reductions could be made to the value of the fine payable and how, ■ the circumstances under which, such reductions can be applied, or
- (b) indicate that the offender must appear in Court on a specified day (in these instances, the value of the fine may or may not be indicated but this is often only determined after a separate legal process).

Initial recognition:

There is uncertainty regarding the probability of the flow of economic benefits in respect of criminal procedure act fines. Legal processes have to be undertaken before the criminal procedure ■ fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. Where a reliable estimate cannot be made of revenue from summonses, the Municipality cannot recognise revenue and receivable until this judicial process has been completed and a reliable estimate can be made.

Subsequent measurement

IGRAP1 states that the assessment and recognition of an impairment is an event that takes place subsequent to the initial recognition of revenue charged. An entity assesses the probability of collecting revenue when accounts fall into arrears. Such ■ assessment should not be made at the time of initial recognition.

AARTO traffic fines

These are fines issued in terms of the AARTO Act by way of notices to offenders which specify the value of the fine that must be paid, along with any discount that can be applied if the fine is paid within a specific period of time.

Initial recognition

The COJ is legally entitled to 50% of the face value of the fines, taking into account the best estimate of the inflow of economic benefits in terms of GRAP 23.

In terms of the AARTO ACT par 32(1) and (2), RTIA is legally entitled to receive 50% of the face value of such fine plus other administrative cost so incurred as compensation for their services in collecting and adjudication process.

Subsequent measurement

IGRAP1 states that the assessment and recognition of an impairment is an event that takes place subsequent to the initial recognition of revenue charged. An entity assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment should not be made ■ the time of initial recognition

Government grants

Government grants are recognised as revenue when:

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1.24 Revenue from non-exchange transactions (continued)

- it is probable that the economic benefits or service potential associated with the transaction will flow to the group,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Conditional grants

Conditions on transferred assets (hereafter referred to as conditions) require that the entity either consume the future economic benefits or service potential of the asset as specified or return future economic benefits or service potential to the transferor in the event that the conditions are breached. Therefore, the Municipality incurs a present obligation to transfer future economic benefits or service potential to third parties when it initially gains control of an asset subject to a condition. This is because the Municipality is unable to avoid the outflow of resources as it is required to consume the future economic benefits or service potential embodied in the transferred asset in the delivery of particular goods or services to third parties or else to return to the transferor future economic benefits or service potential. Therefore, when a Municipality initially recognises an asset that is subject to a condition it also recognises a liability. Revenue on such grants is recognised when the qualifying expenditure has been incurred and to the extent that conditions have been complied with.

Unconditional grants

The Municipality recognises revenue from unconditional grants upon receipt and/or when resources transferred meet the criteria for recognition as an asset and there is also no present obligation to the Municipality or refund transferred resources to the transferor.

Unconditional grants also includes grants with restrictions since restrictions do not include a requirement that the transferred asset, or future economic benefits or service potential be returned to the transferor if the asset is not deployed as specified. Therefore, gaining control of an asset subject to a restriction does not impose on the Municipality a present obligation to transfer future economic benefits or service potential to third parties when control of the asset is initially gained. The Municipality recognises grants with restriction and unconditional grants as revenue upon receipt of the grant and no corresponding liability is recognised. Unconditional grants are measured at their fair value.

Rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Revenue from rates is measured using gazetted tariffs.

Public contributions and donations including goods in-kind donations

Public contributions and donations are voluntary transfers of assets including cash or other monetary assets.

Goods in-kind are tangible assets transferred to an entity in a non-exchange transaction, without charge, but may be subject to stipulations.

Public contributions and donations (other than services in-kind) are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind are recognised as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Public contribution and donations including goods in-kind are measured at their fair value as at the date of acquisition.

1.25 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.26 Accounting by principals and agents

Identification

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended ■ June 2020

Accounting Policies

1.26 Accounting by principals and agents (continued)

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through ■ binding arrangement, to undertake transactions with third parties ■ its behalf and for its ■ benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an municipality is ■ principal ■ an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Recognition

The group, as a principal, recognises revenue and expenses that arise from transactions with third parties in ■ principal-agent arrangement in accordance with the requirements ■ the relevant Standards of GRAP.

The group, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The group recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of ■ the relevant Standards of GRAP.

1.27 In-kind services

The Municipality does not recognise services in kind as revenue ■ assets, but separately discloses the nature and type of major classes of services in- kind as a note to the financial statements.

1.28 Unauthorised expenditure

Unauthorised expenditure is any expenditure incurred by a municipality otherwise than in accordance with the approved budget ■ well as expenditure exceeding the limits of the amounts appropriated for in the different votes in the approved budget.

Depending on circumstances, identified unauthorised expenditure will be authorised by council in an adjustment budget, certified by municipal council as irrecoverable and written off by the council or recovered from a liable official or political office bearer. In cases where unauthorised expenditure is recoverable from an official or political office bearer resulting from necessary investigations, revenue and receivables are recognised. Unauthorised expenditure is disclosed in the notes to the financial statements.

1.29 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure ■ expenditure that was made in vain, and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure which ■ incurred and identified during the financial year and also condoned by the council in terms of the MFMA, ■ only disclosed in the notes ■ annual financial statements. However, fruitless and wasteful expenditure which was incurred and identified during the financial year but failed to be condoned by the council is initially recognised as expenditure based on its nature and after further investigations classified to receivables and revenue. Where it is not possible to recover the revenue recognised from fruitless and wasteful, the receivable is written-off following proper write off processes in terms of the MFMA.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.30 Irregular expenditure

Irregular expenditure is expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the MFMA, the Municipal Systems Act, or the Public Office-Bearers Act, and which has not been condoned in terms of the MFMA.

Irregular expenditure which was incurred and identified during the financial year is disclosed in the annual financial statements. It will be accounted for as an expenditure in the statement of financial performance and disclosed separately in the notes to the financial statements.

1.31 Related parties

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the Municipality.

Related party relationships where control exists are disclosed. The municipality discloses the nature of the related party relationship as well as information about those transactions and outstanding balances as a note to the financial statements.

1.32 Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Reporting date means the last day of the reporting period to which the financial statements relate. The entity adjusts the amounts recognised in its financial statements to reflect adjusting events after the reporting date. The entity does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date.

The group will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The group will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.33 Commitments

A Commitment is a contract that is non-cancellable or only cancellable at significant cost, to the extent that the amount has not been recorded elsewhere in the financial statements.

Commitments are further split into capital and operating commitments.

Capital commitments are amounts committed to acquire goods and services which are of capital in nature i.e. upgrading and/or construction of assets.

Capital commitments are disclosed in the notes to the annual financial statements.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|--------------------------|-------|------|------|------|
| | 2020 | 2019 | 2020 | 2019 |

2. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

In the current financial year, the Municipality has adopted effective revised standards and its interpretations issued by ASB. However, the municipality only adopted effective standards which are relevant to business operations.

The following Standards and Interpretations were in issue but not yet effective:

| Name | Effective Date |
|---|--|
| GRAP 18 - Segment Reporting | 01 July 2020 |
| GRAP 34 - Separate financial statements | 01 July 2020 |
| GRAP 35 - Consolidated financial statements | 01 July 2020 |
| GRAP 36 - Investment in associates and Joint ventures | 01 July 2020 |
| GRAP 37 - Joint Arrangements | 01 July 2020 |
| GRAP 38 - Disclosure in interest in other entities | 01 July 2020 |
| GRAP 110 - Living and non-living resources | No effective date has been determined by the Minister of Finance |

The above-mentioned standards and interpretations which are relevant to the Municipality's business operations will be adopted once they become effective.

The standards are similar to existing standards applied by the City and are unlikely to impact the financial position or performance of the entity, but may impact the extent of disclosures provided

3. INVENTORIES

| | | | | |
|-------------------------------|----------------|----------------|---------------|---------------|
| Consumable stores | 110 339 | 187 | 96 442 | 76 231 |
| Consumables - Electrical | 150 464 | 90 662 | - | - |
| Consumables - Road | 68 407 | 55 037 | - | - |
| Consumables - Water | 118 794 | 99 294 | - | - |
| Other Inventories | 6 834 | 5 795 | 2 273 | 2 273 |
| Spare parts | 19 712 | 33 378 | - | - |
| Inventories (write-downs) | 474 350 | 377 353 | 98 715 | 78 504 |
| | (124 131) | (111 975) | - | - |
| | 350 219 | 265 378 | 98 715 | 78 504 |

Inventory pledged as security

No inventory was pledged as security.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|---|-------|------|-----------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| 4. LOANS TO MUNICIPAL ENTITIES | | | | |
| Shareholder loans | | | | |
| City Power Johannesburg (SOC) Ltd | - | - | 581 814 | 581 814 |
| Terms and conditions | | | | |
| City Power Johannesburg (SOC) Ltd | - | - | 42 979 | 42 979 |
| Terms and conditions | | | | |
| Johannesburg Water (SOC) Ltd | - | - | - | - |
| Terms and conditions | | | | |
| | - | - | 624 793 | 624 793 |
| Concessionary Loans | | | | |
| The Johannesburg Metro Trading Company(Pty) Ltd | - | - | 1 860 426 | 1 694 008 |
| Terms and conditions: rate range = 11.89% | | | | |
| Maturity = 30 August 2035 | | | | |
| The loan of R 1 860 426 was issued to Metro Trading company on the 1st of September 2015 with a capital and interest payment grace period of three years. | | | | |
| Conduit loans | | | | |
| City Power Johannesburg (SOC) Ltd | - | - | 2 020 410 | 2 249 714 |
| Terms and conditions: Rate range = 9.31% - 12.21% | | | | |
| Maturity = 30 June 2020 -30 June 2029 | | | | |
| Johannesburg Metropolitan Bus Services (SOC) Ltd | - | - | 230 770 | 264 737 |
| Terms and conditions: 10.9% | | | | |
| Maturity = 30 June 2025 | | | | |
| Johannesburg Water (SOC) Ltd | - | - | 2 804 412 | 2 807 867 |
| Terms and conditions: Rate range = 9.31% - 12.21% | | | | |
| Maturity = 30 June 2019 - 30 June 2029 | | | | |
| Pikitup Johannesburg (SOC) Ltd | - | - | 675 428 | 599 248 |
| Terms and conditions: Rate range = 9% - 14.15% | | | | |
| Maturity = 30 June 2020 - 30 June 2030 | | | | |
| The Johannesburg Fresh Produce Market | - | - | 10 309 | 18 499 |
| Terms and conditions: Rate range = 9% - 10.9% | | | | |
| Maturity = 30 June 2020 - 30 June 2021 | | | | |
| | - | - | 5 741 329 | 5 940 065 |
| Less impairment of loans to Municipal Entities | - | - | (443 850) | (313 852) |
| | - | - | 5 297 479 | 5 626 213 |
| Non-current assets | | | | |
| Current assets | - | - | 5 543 630 | 6 857 554 |
| | - | - | 1 239 068 | 1 087 460 |
| | - | - | 7 782 698 | 7 945 014 |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|---|----------|----------|----------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Reconciliation of provision for impairment of loans to economic entities | | | | |
| Opening balance | - | - | 313 853 | - |
| Additional impairment - Metro trading Company (Pty) Ltd | - | - | 129 997 | 313 853 |
| Reversal of impairment - Johannesburg Metropolitan Bus Services (SOC) Ltd | - | - | - | - |
| | - | - | 443 850 | 313 853 |

Impairment of loan to Metro Trading Company

The impairments relate to Metrototrading Company. Metrototrading Company has not made any repayments towards the loan in the current year even though the amounts are due and payable

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|--|---------------|---------------|----------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| 5. OTHER FINANCIAL ASSETS | | | | |
| At amortised cost | | | | |
| Housing selling scheme loans | 39 930 | 41 238 | 39 930 | 41 238 |
| Other loans and receivables | 53 045 | 52 668 | 53 045 | 52 668 |
| | 92 975 | 93 906 | 92 975 | 93 906 |
| Non-current assets | | | | |
| At amortised cost | 88 899 | 60 596 | 88 899 | 60 596 |
| Current assets | | | | |
| At amortised cost | 9 076 | 33 310 | 9 076 | 33 310 |
| E. FINANCE LEASE RECEIVABLES | | | | |
| Gross investment in the lease due | | | | |
| - within one year | - | - | 105 522 | 150 886 |
| - in second to fifth year inclusive | - | - | 172 598 | 122 775 |
| | - | - | 278 120 | 273 661 |
| less: Unearned finance revenue | - | - | (43 056) | (38 104) |
| Present value of minimum lease payments receivable | - | - | 235 064 | 235 557 |
| | - | - | 235 064 | 235 557 |
| Present value of minimum lease payments due | | | | |
| - within one year | - | - | 85 183 | 141 756 |
| - in second to fifth year inclusive | - | - | 149 881 | 93 801 |
| | - | - | 235 064 | 235 557 |
| Non-current assets | | | | |
| Current assets | - | - | 149 881 | 93 801 |
| | - | - | 85 183 | 141 756 |
| | - | - | 235 064 | 235 557 |

COJ entered into a Finance lease with various MOEs for specialised vehicles. The interest rate implicit on the agreement is 10%.

The unguaranteed residual values of assets leased under finance lease at the end of the reporting period amount to R 727 842 (2019: R 70 517 343).

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|--|------------------|------------------|-------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| 7. RECEIVABLES FROM EXCHANGE TRANSACTIONS | | | | |
| Trade debtors | 95 711 | 96 593 | - | - |
| Prepayments | 346 274 | 140 942 | 332 596 | 122 684 |
| Deposits | 6 ■■■ | 625 | - | - |
| Operating lease receivables | 21 281 | 21 530 | 21 281 | 21 530 |
| Public Safety debtors | 20 393 | 31 315 | 20 393 | 31 315 |
| Related party debtors | - | - | ■ 217 ■■■ | 7 782 772 |
| Fruitless and wasteful expenditure | 12 188 | 12 188 | 12 188 | 12 188 |
| Rental debtors | 109 543 | 130 673 | 109 543 | 130 673 |
| Accrued VAT (Statutory receivable) | 374 887 | 372 669 | 374 887 | 372 669 |
| Kelvin Power | 13 871 | 13 872 | 13 871 | 13 872 |
| Sundry debtors | 754 080 | 505 551 | 516 742 | 348 586 |
| Total trade and other receivables | 1 755 127 | 1 311 740 | 10 618 546 | 1 836 280 |
| Statutory receivables included in receivables from exchange transactions above are as follows: | | | | |
| Accrued Vat | 374 ■■■ | 372 669 | 374 887 | 372 ■■■ |
| ■■■ impairments against the accrued vat. | - | - | - | - |
| | 374 ■■■ | 372 669 | 374 887 | 372 ■■■ |
| 8. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS | | | | |
| Fines | 1 184 508 | 491 390 | 1 184 508 | 491 390 |
| Top structure debtors | 344 227 | 205 142 | 344 227 | 205 142 |
| Other receivables | 33 107 | 10 068 | - | - |
| | 1 561 842 | 706 600 | 1 184 508 | 491 390 |
| Statutory receivables included in receivables from non-exchange transactions above are ■■■ follows: | | | | |
| Fines | 1 184 508 | 491 390 | 1 184 508 | 491 390 |
| Top structure debtors | 344 227 | 205 142 | 344 227 | 205 142 |
| | 1 528 735 | 696 532 | 1 528 735 | 696 532 |
| Impairments | | | | |
| Fines | 175 617 | 61 382 | 175 617 | 61 382 |
| | | | | |
| 9. VAT RECEIVABLE (STATUTORY RECEIVABLES) | | | | |
| Receivable | 413 609 | 449 845 | 123 613 | 213 169 |

These amounts are receivable by the group as a result of transaction attracting value added tax (VAT) as legislated under the Value Added Tax Act 89 of 1991 from the South African Revenue Services.

No impairments against the Vat receivables.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|--|---------------------|---------------------|--------------------|--------------------|
| | 2020 | 2019 | 2020 | 2019 |
| 10. CONSUMER DEBTORS | | | | |
| Gross balances | | | | |
| Rates (Statutory receivables) | 8 767 456 | 7 625 771 | 8 767 456 | 7 625 771 |
| Electricity | 6 724 589 | 3 890 335 | - | - |
| Water | 15 947 135 | 12 277 734 | - | - |
| Refuse | 3 421 126 | 2 738 383 | - | - |
| | 34 860 306 | 25 532 225 | 8 767 456 | 7 625 771 |
| Less: Allowance for impairment | | | | |
| Rates (Statutory receivables) | (8 057 268) | (6 635 610) | (8 057 268) | (6 635 610) |
| Electricity | (4 507 376) | (2 427 710) | - | - |
| Water | (12 965 911) | (9 369 543) | - | - |
| Refuse | (2 450 847) | (2 004 333) | - | - |
| | (27 981 402) | (20 451 196) | (8 057 268) | (6 635 610) |
| Net balance | | | | |
| Rates (Statutory receivables) | 710 188 | 990 161 | 710 188 | 990 161 |
| Electricity | 2 217 213 | 1 462 625 | - | - |
| Water | 3 981 224 | 2 908 191 | - | - |
| Refuse | 970 279 | 734 050 | - | - |
| | 6 878 904 | 6 095 027 | 710 188 | 990 161 |
| Included in above gross balance is receivables from exchange transactions | | | | |
| Electricity | 6 724 589 | 3 890 335 | - | - |
| Water | 15 949 135 | 12 277 734 | - | - |
| Refuse | 3 421 126 | 2 738 383 | - | - |
| | 26 094 850 | 18 906 452 | - | - |
| Included in above gross balance is receivables from non-exchange transactions (taxes and transfers) | | | | |
| Rates (Statutory receivables) | 8 767 456 | 7 625 771 | 8 767 456 | 7 625 771 |
| Group balance | 34 860 306 | 25 532 225 | 8 767 456 | 7 625 771 |
| Rates (Statutory receivables) | | | | |
| Current (0 -30 days) | 618 484 | 752 645 | 618 484 | 752 645 |
| 31 - 60 days | 323 933 | 420 227 | 323 933 | 420 227 |
| 61 - 90 days | 287 732 | 348 242 | 287 732 | 348 242 |
| 91 - 120 days | 403 838 | 353 936 | 403 838 | 353 936 |
| 121 - 365 days | 2 022 974 | 1 717 393 | 2 022 974 | 1 717 393 |
| > 365 days | 5 110 495 | 4 033 328 | 5 110 495 | 4 033 328 |
| | 8 767 456 | 7 625 771 | 8 767 456 | 7 625 771 |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|--|-------------------|-------------------|------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Electricity | | | | |
| Current (0 -30 days) | 1 926 572 | 1 527 114 | - | - |
| 31 - 60 days | 385 ■■■ | 300 423 | - | - |
| 61 - 90 days | 283 072 | 270 161 | - | - |
| 91 - 120 days | 295 ■■■ | 479 459 | - | - |
| 121 - 365 days | 1 301 ■■■ | 960 896 | - | - |
| > 365 days | 2 531 ■■■ | 352 282 | - | - |
| | 6 724 ■■■ | ■ 890 335 | - | - |
| Water | | | | |
| Current (0 -30 days) | 1 ■■■ 704 | 758 176 | - | - |
| 31-60 days | 1 151 453 | 1 322 237 | - | - |
| 61 - 90 days | 473 738 | 502 915 | - | - |
| 91 - 120 days | 625 987 | 552 423 | - | - |
| 121 - 365 days | ■ 884 291 | 2 870 977 | - | - |
| > 365 days | 8 549 962 | ■ 271 006 | - | - |
| | 15 947 135 | 12 277 734 | - | - |
| Refuse | | | | |
| Current (0 -30 days) | 234 054 | 140 184 | - | - |
| 31 - ■■■ days | 105 033 | 76 784 | - | - |
| 61 - 90 days | 94 457 | 75 280 | - | - |
| 91 - 120 days | 275 525 | 212 997 | - | - |
| 121 - ■■■ days | 2 712 057 | ■ 233 138 | - | - |
| | 3 421 126 | 2 711 383 | - | - |
| Summary of debtors by customer classification | | | | |
| Residential | | | | |
| Current (0 - 30 days) | 1 838 344 | 1 468 737 | 215 ■■■ | 319 704 |
| 31 - ■■■ days | 1 110 917 | ■ 024 726 | 108 811 | 196 711 |
| 61 - 90 days | 590 232 | 552 579 | 86 185 | 164 589 |
| 91 - 120 days | 939 844 | 766 985 | 174 843 | 164 359 |
| 121 - ■■■ days | 6 228 957 | 4 532 368 | 1 037 832 | 864 584 |
| > 365 days | 10 418 233 | 5 624 673 | 2 192 610 | 1 746 ■■■ |
| | 21 126 527 | 13 970 068 | 3 815 963 | 3 456 850 |
| Less: Allowance for impairment | (17 859 532) | (11 412 816) | (3 506 859) | (2 985 724) |
| | 3 ■■■ 995 | ■ 557 252 | ■ 104 | 471 126 |
| Residential - Past due and impaired | | | | |
| Current (0 - 30 days) | 329 457 | 556 427 | 198 211 | 276 132 |
| 31 - ■■■ days | 353 452 | ■■■ 575 | 99 997 | 169 902 |
| 61-90 days | 247 911 | 283 ■■■ | 79 204 | 142 157 |
| 91 - 120 days | 794 821 | 681 748 | 160 681 | 141 ■■■ |
| 121 - 365 days | 5 983 644 | 4 126 098 | 953 764 | 746 752 |
| > 365 days | 10 150 247 | 5 380 612 | 2 015 002 | 1 508 822 |
| | 17 ■■■ 532 | 11 412 816 | 3 506 859 | ■ 888 724 |
| Residential - ■■■ due and not impaired | | | | |
| Current (0 - 30 days) | 1 508 887 | 912 310 | 17 471 | 43 572 |
| 31 - ■■■ days | 757 465 | 640 151 | ■ 814 | ■ 809 |
| 61 - 90 days | 342 321 | 269 223 | 6 981 | ■ 431 |
| 91 - 120 days | 145 023 | 85 237 | 14 163 | 22 400 |
| 121 - ■■■ days | 245 313 | 406 270 | 84 067 | 117 832 |

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Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|--------------------------|------------------|------------------|----------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| > 365 days | 267 986 | 244 061 | 177 608 | 256 082 |
| | <u>3 166 995</u> | <u>2 557 252</u> | <u>309 104</u> | <u>471 126</u> |

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Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|---|---------------------------|---------------------------|--------------------------|--------------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Industrial/ commercial | | | | |
| Current (0 - 30 days) | 2 095 975 | 1 908 430 | 1 609 | 403 161 |
| 31 - 60 days | 795 545 | 937 156 | 205 632 | 209 626 |
| 61 - 90 days | 513 981 | 554 268 | 188 838 | 167 875 |
| 91 - 120 days | 616 868 | 770 436 | 218 816 | 177 713 |
| 121 - 365 days | 3 172 169 | 3 060 877 | 927 199 | 805 273 |
| > 365 days | 5 545 795 | 4 253 116 | 725 024 | 133 282 |
| Less: Allowance for impairment | 12 538 334 (9 245 355) | 11 484 283 (8 545 455) | 4 654 118 (4 277 122) | 3 896 930 (3 411 758) |
| | 3 545 979 | 2 938 828 | 376 116 | 485 172 |
| Industrial/ commercial - Past due and impaired | | | | |
| Current (0 - 30 days) | 520 507 | 465 339 | 357 131 | 352 967 |
| 31 - 60 days | 340 116 | 370 718 | 188 976 | 183 528 |
| 61 - 90 days | 336 142 | 331 969 | 173 541 | 146 974 |
| 91 - 120 days | 473 155 | 654 277 | 201 091 | 155 587 |
| 121 - 365 days | 5 454 889 | 740 829 | 852 093 | 705 016 |
| > 365 days | 5 120 540 | 3 982 313 | 504 290 | 1 867 686 |
| | 8 345 385 | 8 545 455 | 4 277 122 | 411 758 |
| Industrial/ commercial - Past due and not impaired | | | | |
| Current (0 - 30 days) | 1 575 468 | 1 443 091 | 31 478 | 51 194 |
| 31 - 60 days | 455 430 | 566 438 | 16 656 | 26 098 |
| 61 - 90 days | 177 839 | 222 299 | 15 297 | 11 901 |
| 91 - 120 days | 143 713 | 116 149 | 17 725 | 22 126 |
| 121 - 365 days | 717 274 | 320 048 | 75 106 | 100 257 |
| > 365 days | 223 255 | 270 803 | 220 734 | 265 596 |
| | 8 292 979 | 2 000 828 | 376 116 | 485 172 |

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| Figures in Rand thousand | GROUP | | CJMM | |
|---|-----------|-----------|-----------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| National and provincial government | | | | |
| Current (0 - 30 days) | 105 668 | 193 934 | 14 192 | 29 780 |
| 31 - ■ days | 60 716 | 157 7■ | 9 490 | 13 888 |
| 61 - 90 days | 34 787 | 89 751 | 12 709 | 15 778 |
| 91 - 120 days | 44 158 | 61 392 | 10 178 | 11 865 |
| 121 - 365 days | 519 745 | 189 159 | 57 944 | 47 536 |
| > 365 days | 430 371 | 385 846 | 192 862 | 153 144 |
| | 1 195 445 | 1 077 871 | 297 375 | 271 991 |
| Less: Allowance for impairment | (876 519) | (478 926) | (273 287) | (238 128) |
| | 318 ■ | 598 ■ | 24 088 | 33 863 |
| National and provincial government - Past due ■ impaired | | | | |
| Current (0 - 30 days) | 13 043 | 26 073 | 13 042 | 26 072 |
| 31 - 60 days | 8 721 | 12 159 | 8 721 | 12 159 |
| 61 - 90 days | 11 679 | 13 814 | 11 679 | 13 814 |
| ■ - 120 days | 35 159 | 31 766 | 9 354 | 10 387 |
| 121 - 365 days | 397 133 | 91 398 | 53 250 | 41 618 |
| > 365 days | 410 784 | 303 716 | 177 241 | 134 078 |
| | ■ 519 | 478 ■ | 273 287 | 238 128 |
| National and provincial government - Past due and not impaired | | | | |
| Current (0 - 30 days) | 92 625 | 167 861 | 1 150 | ■ 708 |
| 31 - 60 days | 51 995 | 145 630 | 769 | 1 729 |
| 61 - 90 days | ■ 108 | 75 937 | 1 030 | 1 964 |
| 91 - 120 days | 8 999 | 29 626 | 824 | 1 478 |
| 121 - 365 days | 122 612 | 97 761 | 4 694 | 5 918 |
| > 365 days | 19 587 | 82 130 | 15 621 | 19 066 |
| | ■ ■ ■ | 598 945 | 24 088 | 33 863 |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|---|-------------------|-------------------|------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Total | | | | |
| Current (0 -30 days) | 4 039 987 | ■ 571 101 | 618 484 | 752 645 |
| 31 - 60 days | 1 967 179 | 2 119 671 | 323 933 | 420 227 |
| 61 - 90 days | 1 139 000 | 1 196 598 | 287 732 | 348 242 |
| 91 - 120 days | 1 600 870 | 1 598 813 | 403 836 | 353 936 |
| 0 | 9 920 871 | 7 782 404 | ■ 022 974 | 1 717 393 |
| > 365 days | 16 192 399 | 10 263 636 | ■ 110 497 | 4 033 328 |
| | 34 860 306 | 26 532 223 | 8 767 456 | 7 625 771 |
| Less: Allowance for impairment | (27 981 402) | (20 437 196) | (8 057 268) | (6 635 610) |
| | ■ ■■ 904 | 6 095 027 | 710 188 | ■ 000 161 |
| Less: Allowance for impairment | | | | |
| Current (0 -30 days) | 863 007 | 1 047 838 | 568 ■■■ | 655 172 |
| 31-60 days | 702 ■■■ | 767 452 | 297 693 | 365 589 |
| 61-90 days | 595 732 | 629 138 | 264 425 | 302 945 |
| 91-120 days | 1 ■■■ 131 | 1 367 802 | 371 125 | 307 ■■■ |
| 121 - 365 days | ■ ■■ 672 | 6 ■■■ 325 | 1 859 108 | 1 493 385 |
| >365 days | 15 681 571 | ■ 666 641 | 4 696 532 | 3 510 586 |
| | ■ 981 402 | 20 ■■■ 196 | ■ 057 268 | ■ 635 ■■■ |
| Total debtors past due but not impaired | | | | |
| Current (0 - 30 days) | ■ 176 982 | 2 523 263 | 50 099 | 97 473 |
| 31 - 60 days | 1 264 891 | 1 352 219 | 26 240 | 54 638 |
| 61 - 90 days | 543 267 | 567 460 | 23 307 | 45 297 |
| 91 - 120 days | 297 734 | 231 011 | 32 711 | 46 003 |
| 121 - 365 days | 1 085 199 | 824 079 | 163 866 | 224 008 |
| > 365 days | 510 831 | 596 995 | 413 965 | ■ 742 |
| | ■ ■■ 904 | ■ ■■ ■■■ | 710 ■■■ | ■ 000 161 |
| Reconciliation of allowance for impairment | | | | |
| Balance at beginning of the year | ■ 437 196 | 16 191 678 | 6 635 610 | 5 237 167 |
| Contributions to allowance | 6 207 357 | 4 840 570 | 1 421 658 | 1 398 443 |
| Debt impairment written off against allowance | (51 994) | (595 052) | - | - |
| Reversal of allowance | 1 388 843 | - | - | - |
| Balance at the end of the year | 27 ■■■ 402 | 20 437 196 | ■ 057 268 | ■ 635 610 |

The contribution ■ the allowance ■ included in the statement of financial performance under debt impairment at amounts exclusive of VAT.

City cleaning levy (Statutory receivable)

Included in consumer debtors above, is ■ levy and imposed specifically as contribution to cleaning the city in general charged for the service provided by the municipality based on Tariffs approved by Municipal council of city of Johannesburg City charged to non-residential and agricultural properties.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|---|------------------|------------------|------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| City Cleaning Levy not impaired | | | | |
| Current (0-30 days) | 13 468 | ■ 293 | - | - |
| 31 -60 days | 3 974 | 3 930 | - | - |
| 61 - 90 days | 3 516 | ■ 602 | - | - |
| 91 -120 days | 10 917 | ■ 489 | - | - |
| > 121 days | 112 072 | 31 961 | - | - |
| | 143 ■ 7 | ■ 276 | - | - |
| City Cleaning levy impaired | | | | |
| Current (0-30 days) | ■ 108 | 7 023 | - | - |
| 31 -60 days | 1 227 | 4 459 | - | - |
| 61 - 90 days | 1 120 | 4 623 | - | - |
| 91 -120 days | 4 031 | 13 783 | - | - |
| > 121 days | 138 241 | 199 478 | - | - |
| | 147 727 | 229 366 | - | - |
| Property rates (Statutory receivable) | | | | |
| Included in consumer debtors above, are amounts receivable by the group as a result of Rates levied and billed as per the Municipal Property Rates Act No. 1 of 2004. | | | | |
| In line with paragraph 58 of GRAP 104, the City's calculation is based on the average collection rate based on a percentage derived by reviewing the previous six month's current debtors balance and determine the average percentage which remains unpaid after 180 days. this amount is calculated at 98% of the aggregate debt in this category and presently 2% is recovered | | | | |
| Property ■■■ not impaired (Statutory receivables) | | | | |
| Ageing | | | | |
| Current (0-30 days) | 50 099 | 97 473 | 50 099 | 97 473 |
| 31-60 days | 26 240 | 54 638 | 26 240 | 54 638 |
| 61-90 days | 23 307 | 45 297 | ■ 307 | 45 297 |
| 91-120 days | ■ 711 | ■ 008 | 32 711 | 46 003 |
| 121-365 days | 163 866 | 224 008 | 163 866 | 224 008 |
| >365 days | 413 965 | 522 742 | 413 965 | 522 742 |
| Total | 710 188 | 990 161 | 710 188 | 990 161 |
| Property rates impaired (Statutory receivables) | | | | |
| Ageing | | | | |
| Current (0-30 days) | 568 385 | 655 172 | 568 385 | 655 172 |
| 31-60 days | 297 693 | 365 589 | 297 693 | 365 589 |
| 61-90 days | 264 425 | 302 945 | 264 425 | 302 945 |
| 91-120 days | 371 125 | 307 933 | 371 125 | 307 933 |
| 121-365 days | 1 859 108 | 1 493 385 | 1 859 108 | 1 493 385 |
| >365 days | 4 696 532 | 3 510 586 | 4 696 532 | 3 510 586 |
| Total | 6 057 768 | 6 635 610 | 6 057 268 | 6 635 610 |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|--------------------------|-------|------|------|------|
| | 2020 | 2019 | 2020 | 2019 |

11. FINANCIAL ASSETS AT FAIR VALUE - SINKING FUND

The Debt redemption fund is a financial solution to assist the CJMM meet its financial obligations to repay previously issued bonds. The CJMM pays contributions into the fund, which is managed by a 3rd party fund manager, so as to enable the Municipality to receive contributions plus growth to repay redemptions of the bonds when they fall due. This is part of the risk management framework adopted by the CJMM.

The fund did not have an active manager in the year under review. The City is in the process of appointing a new fund manager.

The investments pledged as collateral cannot be sold until the related liability is settled in full.

The Terms and conditions are such that the collateralised asset upon maturity should be of the same value as the liability so that the liability can be redeemed.

Sinking Fund

Maturity - 5 June 2023

Other financial assets through profit or loss

| | | | | |
|-----------------------|------------------|------------------|------------------|------------------|
| Bond | 92 570 | - | 92 570 | - |
| Cash | 1 549 196 | 986 463 | 1 549 196 | 986 463 |
| Floating rate notes | - | 306 049 | - | 306 049 |
| Current Assets | 1 641 766 | 1 292 512 | 1 641 766 | 1 292 512 |

Other financial assets through profit or loss

| | | | | |
|---------------------------|------------------|------------------|------------------|------------------|
| Bond | 1 116 745 | 1 228 194 | 1 116 745 | 1 228 194 |
| Amortising swap | 25 615 | 24 198 | 25 615 | 24 198 |
| Swaps | 373 416 | 132 380 | 373 416 | 132 380 |
| Non-Current Assets | 1 515 776 | 1 384 772 | 1 515 776 | 1 384 772 |

1 157 542 2 677 284 3 157 542 2 677 284

Financial assets carried at fair value through profit or loss

| | | | | |
|---|------------------|------------------|------------------|-----------|
| Derivatives designated and effective as hedging instruments carried at fair value | 399 031 | 462 627 | 399 031 | 462 627 |
| Held for trading non-derivative financial assets | 2 758 511 | 2 214 657 | 2 758 511 | 2 214 657 |
| 1 157 542 | 2 677 284 | 3 157 542 | 2 677 284 | |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|---|------------------|------------------|------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| 12. CASH AND CASH EQUIVALENTS | | | | |
| Cash and cash equivalents consist of: | | | | |
| Cash on hand | 558 | 1 137 | 244 | 249 |
| Bank | 4 522 265 | 1 816 736 | 3 007 | 1 161 642 |
| Call investment deposits | 306 | 3 521 341 | 960 799 | 3 511 594 |
| | 4 491 125 | 5 339 214 | 4 100 050 | 4 173 485 |
| Call investment deposits | | | | |
| Call Deposits STD Bank Rating - (F1+) | 61 001 | 599 045 | 61 001 | 599 045 |
| Fixed Deposits ABSA Rating (F1+) | - | 500 000 | - | 500 000 |
| Call Deposits ABSA F1+(ZAF) | 472 809 | 218 982 | 472 809 | 218 982 |
| Fixed deposits RMB Rating (F1+) | - | 450 000 | - | 450 000 |
| Call Deposits RMB Rating - (F1+) | 72 868 | 290 370 | 72 868 | 290 370 |
| Call Deposits NEDBANK Rating (F1+) | 152 045 | 394 331 | 144 538 | 392 276 |
| Call deposits INVESTEC Rating -(F1) | 10 185 | 387 139 | 10 185 | 387 139 |
| Fixed Deposits INVESTEC Rating (F1+) | 196 700 | 178 892 | 196 700 | 171 200 |
| Fixed Deposits NEDBANK Rating - (F1+) | - | 500 000 | - | 500 000 |
| Call Deposits CITI BANK Rating - (F1) | 1 688 | 1 582 | 1 688 | 1 582 |
| Call Deposits DEUTSCHE BANK Rating - (F1) | 1 010 | 1 000 | 1 010 | 1 000 |
| | 968 306 | 3 521 341 | 960 799 | 3 511 594 |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|--------------------------|-------|------|------|------|
| | 2020 | 2019 | 2020 | 2019 |

13. ZOO ANIMALS

| GROUP | 2020 | | | 2019 | | |
|-------------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Zoo animals | 26 205 | (4 911) | 21 294 | 31 347 | (5 525) | 25 822 |

Reconciliation of zoo animals - GROUP- 2020

| | Opening balance | Additions | Additions through transfer of functions / mergers | Disposals | Depreciation | Total |
|-------------|-----------------|-----------|---|-----------|--------------|--------|
| Zoo animals | 25 822 | 740 | 1 430 | (5 624) | (1 074) | 21 294 |

Reconciliation of zoo animals - GROUP - 2019

| | Opening balance | Additions | Additions through transfer of functions / mergers | Disposals | Depreciation | Total |
|-------------|-----------------|-----------|---|-----------|--------------|--------|
| Zoo animals | 26 860 | 2 447 | 2 973 | (5 086) | (1 372) | 25 822 |

Pledged as security

None of the Zoo animals assets are pledged as security.

Free-roaming animals in the farm

These animals do not meet the definition of an asset as the entity does not control the animals.

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|--------------------------|-------|------|------|------|
| | 2020 | 2019 | 2020 | 2019 |

14. INVESTMENT PROPERTY

| GROUP | 2020 | | | 2019 | | |
|---------------------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 1 031 521 | (21 476) | 1 010 045 | 1 031 656 | (20 182) | 1 011 474 |
| <hr/> | | | | | | |
| CJMM | 2020 | | | 2019 | | |
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 992 715 | - | 992 715 | 992 850 | - | 992 850 |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|--------------------------|-------|------|------|------|
| | 2020 | 2019 | 2020 | 2019 |

Reconciliation of investment property - GROUP - 2020

| | Opening balance | Disposals | Depreciation | Total |
|---------------------|-----------------|-----------|--------------|-----------|
| Investment property | 1 011 474 | (135) | (1 294) | 1 010 045 |

Reconciliation of investment property - GROUP - 2019

| | Opening balance | Disposals | Depreciation | Total |
|---------------------|-----------------|-----------|--------------|-----------|
| Investment property | 1 020 058 | (7 294) | (1 290) | 1 011 474 |

Reconciliation of investment property - CJMM 2020

| | Opening balance | Disposals | Total |
|---------------------|-----------------|-----------|---------|
| Investment property | 992 850 | (135) | 992 715 |

Reconciliation of investment property - CJMM 2019

| | Opening balance | Disposals | Total |
|---------------------|-----------------|-----------|---------|
| Investment property | 1 000 144 | (7 294) | 992 850 |

Pledged ■ security

No Investment property is pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

City of Johannesburg Metropolitan Municipality
 Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

Figures in Rand thousand

15. PROPERTY, PLANT AND EQUIPMENT

GROUP

| | 2020 | 2019 | | | | |
|------------------------|--------------------|---|-------------------|-------------------|---|-------------------|
| | Cost | Accumulated depreciation and accumulated impairment | Carrying value | Cost | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 800 959 | - | 800 959 | 8 799 387 | - | 8 799 387 |
| Buildings | 18 288 967 | (5 886 737) | 12 402 230 | 17 469 759 | (5 313 229) | 12 156 530 |
| Plant and machinery | 22 150 147 | (5 180 006) | 16 970 141 | 21 233 381 | (4 555 817) | 16 677 564 |
| Furniture and fixtures | 680 910 | (532 227) | 148 683 | 661 781 | (487 701) | 172 080 |
| Motor vehicles | 895 529 | (626 470) | 268 862 | 794 062 | (530 189) | 263 873 |
| Office equipment | 1 784 032 | (1 183 605) | 600 427 | 1 553 198 | (1 024 583) | 528 615 |
| Computer equipment | 406 341 | (290 490) | 115 851 | 375 489 | (251 034) | 124 455 |
| Leasehold improvements | 23 007 | (7 091) | 15 916 | 18 937 | (10 266) | 8 671 |
| Infrastructure | 30 781 411 | (7 645 229) | 23 136 182 | 28 568 339 | (6 921 315) | 21 647 024 |
| Community assets | 3 924 375 | (1 266 600) | 2 657 775 | 3 559 446 | (1 103 537) | 2 455 909 |
| Landfill 212 | 521 491 | (348 480) | 173 011 | 550 239 | (304 922) | 245 317 |
| Network equipment | 69 618 | (62 772) | 6 846 | 68 561 | (53 015) | 15 546 |
| Bins and containers | 67 969 | (31 449) | 36 520 | 80 119 | (27 332) | 52 787 |
| Minor plants | 218 683 | (141 303) | 77 380 | 209 395 | (129 812) | 79 583 |
| Specialised vehicles | 1 879 097 | (942 993) | 936 104 | 1 771 408 | (766 406) | 1 005 002 |
| Wastewater network | 3 626 988 | (333 917) | 3 293 071 | 3 244 479 | (295 396) | 2 949 058 |
| Water network | 7 438 819 | (1 032 440) | 6 406 379 | 7 374 732 | (1 491 395) | 5 883 337 |
| Library books | 671 599 | (623 610) | 47 989 | 671 598 | (612 198) | 50 400 |
| Emergency equipment | 122 789 | (45 071) | 77 718 | 119 094 | (36 157) | 82 937 |
| Other | 19 381 | (9 817) | ■ 564 | 19 ■ 10 | (8 509) | 10 874 |
| Total | 102 371 915 | (26 190 307) | 76 181 608 | 97 122 787 | (23 924 813) | 73 197 974 |

City of Johannesburg Metropolitan Municipality
 Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

Figures in Rand thousand

| CJMM | 2020 | | | 2019 | | |
|------------------------|-------------------|---|-------------------|-------------------|---|-------------------|
| | Cost | Accumulated depreciation and accumulated impairment | Carrying value | Cost | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 8 655 477 | - | 8 655 477 | 8 657 053 | - | 8 657 053 |
| Buildings | 15 995 646 | (5 025 449) | 10 970 197 | 15 257 137 | (4 509 566) | 10 747 571 |
| Plant and equipment | 443 367 | (277 088) | 166 279 | 401 999 | (250 038) | 151 961 |
| Furniture and fittings | 564 095 | (457 816) | 106 279 | 551 361 | (423 589) | 127 772 |
| Motor vehicles | 498 754 | (339 900) | 158 854 | 490 388 | (304 146) | 186 242 |
| Office equipment | 1 679 845 | (1 116 758) | 563 087 | 1 455 567 | (964 226) | 491 341 |
| Infrastructure | 30 182 262 | (7 520 613) | 22 661 649 | 27 995 746 | (6 849 850) | 21 145 896 |
| Community assets | 3 924 375 | (1 266 600) | 2 657 775 | 3 559 446 | (1 103 537) | 2 455 909 |
| Bins and containers | 25 322 | (15 643) | 9 679 | 24 310 | (13 559) | 10 790 |
| Specialised vehicles | 1 026 631 | (575 436) | 451 195 | 940 540 | (451 072) | 489 468 |
| Library books | 671 599 | (623 610) | 47 950 | 671 598 | (612 198) | 59 400 |
| Emergency equipment | 122 789 | (45 071) | 77 718 | 119 094 | (36 157) | 82 937 |
| Other | 10 046 | (2 925) | 7 121 | 10 072 | (2 367) | 7 705 |
| Total | 63 800 208 | (17 266 909) | 46 533 299 | 60 134 111 | (15 520 305) | 44 614 045 |

City of Johannesburg Metropolitan Municipality
 Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

Figures in Rand thousand

Reconciliation of property, plant and equipment - GROUP - 2020

| | Opening balance | Additions | Disposals | Public contributed network | Depreciation | Impairment loss | Total |
|------------------------|-------------------|------------------|------------------|----------------------------|--------------------|-----------------|-------------------|
| Land | 8 799 387 | 17 688 | (16 116) | | | | 8 800 959 |
| Buildings | 12 156 530 | 840 957 | (5 409) | | | | 12 402 070 |
| Plant and equipment | 16 677 564 | 939 398 | (216) | | | | 16 970 141 |
| Furniture and fittings | 172 080 | 22 073 | (94) | | | | 148 683 |
| Motor vehicles | 263 873 | 109 511 | - | | | | 268 862 |
| Office equipment | 528 615 | 257 699 | (283) | | | | 600 427 |
| Computer equipment | 124 455 | 38 107 | (910) | | | | 115 851 |
| Leasehold improvements | 8 671 | 9 196 | (177) | | | | 15 916 |
| Infrastructure | 21 647 114 | 199 187 | (6 283) | | | | 23 136 182 |
| Community assets | 2 455 909 | 368 171 | - | | | | 2 657 775 |
| Landfill sites | 245 317 | - | (28 748) | | | | 173 011 |
| Other equipment | 15 546 | - | (299) | | | | 6 846 |
| Bins and containers | 32 787 | 7 873 | - | | | | 36 520 |
| Minor plants | 79 583 | 9 371 | (6) | | | | 77 380 |
| Specialised vehicles | 1 005 002 | 252 800 | (106 093) | | | | (3 112) |
| Wastewater network | 2 949 083 | 292 978 | (310) | 90 221 | | | 936 104 |
| Water network | 5 883 337 | 585 862 | (6 320) | 82 000 | | | 3 293 071 |
| Library books | 59 400 | - | | | | | 406 379 |
| Emergency equipment | 82 937 | 3 777 | - | | | | 47 989 |
| Other | 10 874 | 89 | (4) | | | | 77 718 |
| | 73 197 974 | 5 954 762 | (171 268) | 172 889 | (2 876 198) | (96 551) | 76 181 608 |

City of Johannesburg Metropolitan Municipality
 Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

Figures in Rand thousand

Reconciliation of property, plant and equipment - GROUP - 2019

| | Opening balance | Additions | Disposals | Public contributed network | Depreciation | Impairment loss | Total |
|------------------------|------------------|-----------------|----------------|----------------------------|-----------------|-------------------|------------|
| Land | 8 795 825 | 10 573 | (7 011) | - | (498 065) | - | 8 799 387 |
| Buildings | 11 796 113 | 884 432 | (8 274) | (627 354) | (17 676) | 12 156 530 | |
| Plant and machinery | 15 980 088 | 1 325 423 | (593) | (39 933) | - | 16 677 564 | |
| Furniture and fixtures | 193 728 | 18 884 | (599) | - | - | 172 080 | |
| Motor vehicles | 231 677 | 102 422 | (405) | (69 821) | - | 263 873 | |
| Office equipment | 209 298 | 436 267 | (885) | (116 065) | - | 524 615 | |
| Computer equipment | 130 100 | 39 832 | (727) | (44 750) | - | 124 455 | |
| Leashold improvements | 9 789 | 1 860 | - | (2 978) | - | 8 671 | |
| Infrastructure | 19 782 | 715 | (238) | - | (1 017 438) | (29 797) | 21 647 024 |
| Community assets | 2 268 161 | 333 249 | (16) | (129 360) | (16 344) | - | 2 455 909 |
| Landfill sites | 179 755 | 87 141 | - | (21 579) | - | - | 245 317 |
| Other equipment | 28 743 | 1 454 | - | (14 691) | - | - | 15 546 |
| Bins and containers | 30 845 | 8 834 | (3 013) | (3 879) | - | - | 32 787 |
| Minor plants | 94 069 | 697 | (183) | (18 00) | - | - | 79 583 |
| Specialised vehicles | 975 288 | 166 669 | (8 066) | (119 994) | (8 895) | 1 005 002 | |
| Wastewater network | 2 758 914 | 172 386 | - | (31 353) | - | - | 2 949 083 |
| Water network | 5 372 161 | 517 276 | (344) | (123 041) | - | - | 5 883 337 |
| Library books | 65 091 | - | - | (5 691) | - | - | 59 400 |
| Emergency equipment | 67 123 | 21 515 | (17) | (5 684) | - | - | 82 937 |
| Other | 9 141 | 3 057 | - | (1 324) | - | - | 10 874 |
| 861 532 | 7 164 726 | (30 371) | 165 699 | (2 891 000) | (72 712) | 73 197 974 | |

City of Johannesburg Metropolitan Municipality
 Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

Figures in Rand thousand

Reconciliation of property, plant and equipment - CJMM - 2020

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Impairment loss | Total |
|------------------------|------------------|------------------|-----------|--------------------|-----------------|-------------------|------------|
| Land | 8 657 053 | 14 540 | (16 116) | - | (453 339) | - | 8 655 477 |
| Buildings | 10 747 571 | 738 578 | (16) | - | (21 134) | (62 597) | 10 970 197 |
| Plant and equipment | 151 961 | 41 727 | (6) | - | (36 905) | (6 269) | 166 279 |
| Furniture and fittings | 127 772 | 15 478 | (66) | - | - | - | 106 279 |
| Motor vehicles | 186 242 | 8 353 | - | - | (35 754) | - | 158 854 |
| Office equipment | 491 341 | 244 125 | (253) | - | (172 126) | - | 563 087 |
| Infrastructure | 21 145 896 | 2 199 187 | (6 283) | - | (676 030) | (1 121) | 22 661 040 |
| Community assets | 2 455 909 | 368 170 | - | - | (148 008) | (18 286) | 2 657 775 |
| Bins and containers | 10 790 | 996 | - | - | (2 107) | - | 9 679 |
| Specialised vehicles | 489 468 | 188 277 | (102 185) | - | (124 365) | - | 451 195 |
| Library books | 59 400 | - | - | - | (11 411) | - | 47 989 |
| Emergency equipment | 82 937 | 3 777 | - | - | (8 996) | - | 77 718 |
| Other | 7 705 | - | - | - | (584) | - | 7 121 |
| 44 674 045 | 1 823 211 | (124 925) | - | (1 690 759) | (88 283) | 46 651 299 | |

City of Johannesburg Metropolitan Municipality
 Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

Figures in Rand thousand

Reconciliation of property, plant and equipment - CJMM - 2019

| | Opening balance | Additions | Disposals | Depreciation | Impairment loss | Total |
|------------------------|-------------------|------------------|-----------------|--------------------|-----------------|-------------------|
| Land | 8 653 491 | 10 573 | (7 011) | - | - | 8 657 053 |
| Buildings | 10 449 272 | 752 442 | (474) | (440 608) | (13 061) | 10 747 571 |
| Plant and equipment | 128 000 | 45 471 | (7) | (22 168) | - | 151 961 |
| Furniture and fittings | 148 406 | 11 970 | (467) | (32 137) | - | 127 772 |
| Motor vehicles | 125 599 | 76 415 | - | (15 772) | - | 186 242 |
| Office equipment | 178 902 | 417 232 | (675) | (104 118) | - | 491 341 |
| Infrastructure | 19 138 038 | 3 000 | (238) | (990 882) | (29 797) | 21 145 896 |
| Community assets | 2 380 | 333 249 | (16) | (129 360) | (16 344) | 2 455 909 |
| Bins and containers | 0 000 | 1 845 | (84) | (1 669) | - | 10 790 |
| Specialised vehicles | 446 248 | 107 246 | (3 638) | (55 328) | (5 060) | 489 468 |
| Library books | 65 091 | - | - | (5 691) | - | ■ 400 |
| Emergency equipment | 67 123 | 21 515 | (17) | (5 684) | - | 82 937 |
| Other | 0 688 | 2 608 | - | (591) | - | 7 705 |
| | 41 693 661 | 4 111 341 | (12 627) | (1 804 008) | (64 262) | 44 614 045 |

Pledged as security

No assets are pledged ■ security.

City of Johannesburg Metropolitan Municipality
 Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

Figures in Rand thousand

Work in progress breakdown

GROUP

| | 2020 | | 2019 | |
|-----------------------------------|------------------|------------------------|-------------------|-------------------|
| | Cost / Valuation | Accumulated Impairment | Carrying value | Cost / Valuation |
| Building Improvements | 1 901 392 | - | 1 901 392 | 1 223 123 |
| Plant and machinery | 1 679 399 | - | 1 679 399 | 1 783 910 |
| Water network | 793 765 | - | 793 765 | 685 713 |
| Wastewater network | 130 624 | - | 130 624 | 172 026 |
| Computer equipment | 9 840 | - | 9 840 | 5 622 |
| Other | 254 354 | - | 254 354 | 221 501 |
| Infrastructure | 7 780 487 | - | 7 780 487 | ■ 296 794 |
| Community assets | 1 363 261 | - | 1 363 261 | ■ 327 295 |
| Furniture and fixtures | 3 818 | - | 3 818 | ■ 140 |
| Work in progress-Office equipment | 5 476 | - | 5 476 | ■ 381 |
| Buses | - | - | - | 997 |
| Containers | 3 901 | - | ■ 901 | - |
| Total | 13 717 | - | 13 926 317 | 11 723 502 |

CJMM

| | 2020 | | 2019 | |
|------------------|-------------------|------------------------|-------------------|------------------|
| | Cost / Valuation | Accumulated Impairment | Carrying value | Cost / Valuation |
| Buildings | 1 821 831 | - | 1 821 831 | 1 106 346 |
| Community assets | 1 363 261 | - | 1 363 261 | 1 327 295 |
| Infrastructure | 7 690 373 | - | 7 690 373 | ■ 224 420 |
| Total | 10 875 ■ 7 | - | 10 875 465 | ■ 061 |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|---|----------------|----------------|----------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Assets subject to finance lease (Net carrying amounts) | | | | |
| Plant and machinery | | 66 | | |
| Motor vehicles | 283 950 | 153 018 | 98 449 | 12 374 |
| Office equipment | 37 055 | ■ 207 | 26 467 | 43 826 |
| BRT buses | ■ 319 | 75 905 | 46 319 | 75 905 |
| Leasehold improvements | 16 997 | ■ 219 | - | - |
| | 354 321 | 296 415 | 171 ■■■ | 132 105 |
| Expenditure incurred to repair and maintain property, plant and equipment | | | | |
| Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance | | | | |
| Employee related costs and other expenses | ■ 523 955 | ■ 263 486 | 290 930 | 221 ■■■ |

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

City of Johannesburg Metropolitan Municipality
 Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

Figures in Rand thousand

16. INTANGIBLE ASSETS

| GROUP | 2020 | | | 2019 | | |
|---|------------------|---|------------------|------------------|---|------------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Additional capacity rights | 232 361 | - | 232 361 | 232 361 | - | 232 361 |
| Servitudes | 1 727 | - | 1 727 | 1 727 | - | 1 727 |
| Licences and franchises | 531 | (531) | - | 531 | (531) | - |
| Computer software, internally generated | 13 840 | (991) | 12 849 | 13 840 | (951) | 12 889 |
| Computer software, other | 2 596 466 | (1 703 482) | 892 984 | 3 263 089 | (2 220 916) | 1 042 173 |
| Customer list | 85 156 | (85 156) | - | 85 156 | (81 615) | 3 541 |
| Total | 1 110 081 | (1 790 160) | 1 139 921 | 3 596 704 | (2 304 013) | 1 292 691 |
| <hr/> | | | | | | |
| CJMM | 2020 | | | 2019 | | |
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software, other | 1 909 191 | (1 257 633) | 651 558 | 2 638 104 | (1 274) | 796 830 |

City of Johannesburg Metropolitan Municipality

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| Figures in Rand thousand | GROUP | | CJMM | |
|--------------------------|-------|------|------|------|
| | 2020 | 2019 | 2020 | 2019 |

Reconciliation of intangible assets - GROUP - 2020

| | Opening balance | Additions | Disposals | Amortisation | Total |
|---|------------------|----------------|-----------------|------------------|------------------|
| Additional capacity rights | 232 361 | - | - | - | 232 361 |
| Servitudes | 1 727 | - | - | - | 1 727 |
| Computer software, internally generated | 12 889 | - | - | (40) | 12 849 |
| Computer software, other | 1 042 173 | 264 276 | (39 343) | (374 122) | 1 092 984 |
| Customer list | 3 541 | - | - | (3 541) | - |
| | 1 292 611 | 264 276 | (39 343) | (377 703) | 1 139 921 |

Reconciliation of intangible assets - GROUP - 2019

| | Opening balance | Additions | Amortisation | Total |
|---|------------------|----------------|------------------|------------------|
| Additional capacity rights | 232 361 | - | - | 232 361 |
| Servitudes | 1 727 | - | - | 1 727 |
| Licences and franchises | 295 | - | (295) | - |
| Computer software, internally generated | 12 933 | - | (44) | 12 889 |
| Computer software, other | 1 009 703 | 261 | (335 791) | 1 042 173 |
| Customer list | 24 500 | - | (21 289) | 3 541 |
| | 1 281 849 | 368 261 | (357 419) | 1 292 611 |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|--------------------------|-------|------|------|------|
| | 2020 | 2019 | 2020 | 2019 |

Reconciliation of intangible assets - CJMM 2020

| | Opening balance | Additions | Disposals | Amortisation | Total |
|--------------------------|-----------------|-----------|-----------|--------------|---------|
| Computer software, other | 796 830 | 190 110 | (39 337) | (296 045) | 651 558 |

Reconciliation of intangible assets - CJMM 2019

| | Opening balance | Additions | Amortisation | Total |
|--------------------------|-----------------|-----------|--------------|---------|
| Computer software, other | 695 878 | 348 191 | (247 239) | 796 830 |

Pledged as security

No assets are pledged as security.

Intangible assets in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Intangible assets

| | | | | |
|--------------------------|---------|---------|---------|---------|
| Computer software, other | 523 399 | 494 821 | 442 109 | 454 484 |
|--------------------------|---------|---------|---------|---------|

City of Johannesburg Metropolitan Municipality
 Group Annual Financial Statements for the year ended 30 June 2020

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Figures in Rand thousand

17. HERITAGE ASSETS

| GROUP | 2020 | | | 2019 | | |
|--|------------------|-------------------------------|----------------|------------------|-------------------------------|----------------|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Art collections, antiques and exhibits | 550 240 | (105) | 550 135 | 547 800 | (105) | 547 695 |
| Historical monuments | 20 478 | - | 20 478 | 20 478 | - | 20 478 |
| Historical buildings | 41 104 | - | 41 104 | 41 104 | - | 41 104 |
| Total | 611 822 | (105) | 611 717 | 609 382 | (105) | 609 277 |
| <hr/> | | | | | | |
| CJMM | 2020 | | | 2019 | | |
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Art collections, antiques and exhibits | 548 532 | - | 548 532 | 546 092 | - | 546 092 |
| Historical monuments | 20 478 | - | 20 478 | 20 478 | - | 20 478 |
| Historical buildings | 41 104 | - | 41 104 | 41 104 | - | 41 104 |
| Total | 610 114 | - | 610 114 | 607 674 | - | 607 674 |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

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| Figures in Rand thousand | GROUP | | CJMM | |
|--------------------------|-------|------|------|------|
| | 2020 | 2019 | 2020 | 2019 |

Reconciliation of heritage assets - GROUP - 2020

| | Opening balance | Additions | Total |
|--|-----------------|--------------|----------------|
| Art collections, antiques and exhibits | 547 695 | 2 440 | 550 135 |
| Historical monuments | 20 478 | - | 20 478 |
| Historical buildings | 41 104 | - | 41 104 |
| | 609 277 | 2 440 | 611 717 |

Reconciliation of heritage assets GROUP - 2019

| | Opening balance | Additions | Disposals | Impairment losses | Total |
|--|-----------------|------------|------------|-------------------|----------------|
| Art collections, antiques and exhibits | 547 690 | 115 | (5) | (105) | 547 695 |
| Historical monuments | 20 478 | - | - | - | 20 478 |
| Historical buildings | 41 104 | - | - | - | 41 104 |
| | 609 272 | 115 | (5) | (105) | 609 277 |

Reconciliation of heritage assets CJMM- 2020

| | Opening balance | Additions | Total |
|--|-----------------|--------------|----------------|
| Art collections, antiques and exhibits | 546 092 | 2 440 | 548 532 |
| Historical monuments | 20 478 | - | 20 478 |
| Historical buildings | 41 104 | - | 41 104 |
| | 607 674 | 2 440 | 610 114 |

Reconciliation of heritage assets - CJMM - 2019

| | Opening balance | Disposals | Total |
|--|-----------------|------------|----------------|
| Art collections, antiques and exhibits | 546 097 | (5) | 546 092 |
| Historical monuments | 20 478 | - | 20 478 |
| Historical buildings | 41 104 | - | 41 104 |
| | 607 679 | (5) | 607 674 |

Pledged as security

No assets are pledged as security.

Heritage assets in the process of being constructed or developed

| Cumulative expenditure recognised in the carrying value of Heritage assets | Heritage assets under development | 10 185 | 8 344 | 10 185 | 8 344 |
|--|-----------------------------------|--------|-------|--------|-------|
| | | | | | |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended ■ June 2020

Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|---|--------|------------|---------------------|---------------------|
| | 2020 | 2019 | 2020 | 2019 |
| 18. INVESTMENTS IN MUNICIPAL ENTITIES | | | | |
| Net investment | | | % holding 2020 | % holding 2019 |
| City of Johannesburg Property Company (SOC) Ltd | 100,00 | % 100,00 % | 5 141 | 5 141 |
| City Power Johannesburg (SOC) Ltd | 100,00 | % 100,00 % | 112 ■ | 112 466 |
| Johannesburg City Parks NPC | 100,00 | % 100,00 % | 29 ■ | 29 958 |
| Johannesburg Development Agency (SOC) Ltd | 100,00 | % 100,00 % | 16 278 | 16 278 |
| Johannesburg Metropolitan Bus Services (SOC) Ltd | 100,00 | % 100,00 % | 54 774 | 54 774 |
| Johannesburg Roads Agency (SOC) Ltd | 100,00 | % 100,00 % | 356 259 | 328 569 |
| *Johannesburg Social Housing Company (SOC) Ltd | 100,00 | % 100,00 % | - | - |
| *Johannesburg Water (SOC) Ltd | 100,00 | % 100,00 % | - | - |
| Metropolitan Trading Company (SOC) Ltd | 100,00 | % 100,00 % | 97 972 | 97 972 |
| Pikitup Johannesburg (SOC) Ltd | 100,00 | % 100,00 % | 31 315 | 31 315 |
| The Johannesburg Civic Theatre (SOC) Ltd | 100,00 | % 100,00 % | 1 784 | 1 784 |
| The Johannesburg Fresh Produce Market (SOC) Ltd | 100,00 | % 100,00 % | 20 000 | 20 000 |
| Impairment of investment in controlled entity- Metrobus | - % | - % | 704 947 (54 774) | 698 257 (54 774) |
| | | | 650 173 | 643 483 |

CJMM has investments in the following Municipal Entities that are less than R1 000

Johannesburg Social Housing Company (Pty) Ltd R120

Johannesburg Water (Pty) Ltd R 200

Investments in ME's includes shareholder loans with no fixed repayment terms and interest as they are classified ■ equity.

City of Johannesburg Metropolitan Municipality

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| Figures in Rand thousand | GROUP | | CJMM | |
|--------------------------|-------|------|------|------|
| | 2020 | 2019 | 2020 | 2019 |

19. INVESTMENT IN JOINT VENTURES

| Name of company | % holding 2020 | % holding 2019 | Carrying amount 2020 | Carrying amount 2019 |
|---|-------------------|-------------------|-------------------------|-------------------------|
| Golden Triangle Development Company (Pty) Ltd | 50,00 % | 50,00 % | 1 266 | 1 193 |
| Joshco Madulamoho Joint Venture (JMJV) | 55,00 % | 55,00 % | 23 761 | 24 254 |
| | | | 25 027 | 25 447 |

The carrying amounts of Joint ventures are shown net of impairment losses.

Principal activities and reporting dates of joint ventures

| Name of entity | Holding | Reporting date | Period of results included |
|---|---------|----------------|----------------------------|
| Golden Triangle Development Company (Pty) Ltd | 50% | 2020/06/30 | 01/07/2019 - 30/06/2020 |
| Joshco Madulamoho Joint Venture (JMJV) | 55% | 2020/06/30 | 01/07/2019 - 30/06/2020 |

Golden Triangle Development Company (Pty) Ltd

The Golden Triangle is an investment between the CJMM and the Ovenstone Group. The separate annual financial statements of the joint venture are available for inspection at the registered office of the entity. The carrying amount of the investment and summary of assets are disclosed below.

| | 2020 | 2019 |
|----------------------------|-------|-------|
| Opening Balance | 1 193 | 527 |
| Share of surplus/(deficit) | 73 | 666 |
| | 1 266 | 1 193 |

| | 2020 | 2019 |
|-------------------|----------|----------|
| Total assets | 547 | 759 |
| Total liabilities | (37 015) | (37 373) |
| Revenue | - | 1 316 |
| Surplus/(deficit) | 145 | 1 333 |

Madulamoho Joint Venture (JMJV)

The JMJV is an investment between Joshco and Madulamoho for social rental housing. The separate Annual Financial Statements of the Joint Venture are available for inspection at the registered office of the entity. There are no contingent liabilities, contingent assets or commitments relating to the Joint Venture. The carrying amount of the investment and summary of assets are disclosed below:

| | 2020 | 2019 |
|----------------------------|---------|--------|
| Opening Balance | 24 254 | 23 516 |
| Share of surplus/(deficit) | 607 | 738 |
| Changes in net assets | (1 100) | - |
| | 23 761 | 24 254 |

City of Johannesburg Metropolitan Municipality

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| Figures in Rand thousand | GROUP | | CJMM | |
|---|--------------------|--------------------|---------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| Total assets | | | 49 573 | 50 636 |
| Total liabilities | | | (6 370) | (6 537) |
| Revenue | | | 9 908 | 9 216 |
| Surplus/(deficit) | | | 1 104 | 1 342 |
| Distributions | | | 2 000 | - |
| 20. DEFERRED TAX | | | | |
| Deferred tax liability | (3 383 671) | (3 291 091) | - | - |
| Deferred tax asset | 1 783 876 | 1 608 964 | - | - |
| Total net deferred tax liability | (1 599 795) | (1 682 127) | - | - |
| Reconciliation of deferred ■■■ asset / (liability) | | | | |
| At beginning of year | (1 682 127) | (1 751 434) | - | - |
| Taxable / (deductible) temporary differences | ■■■ 338 | 133 072 | - | - |
| Arising / (Utilised) assessed losses | (9 006) | (63 765) | - | - |
| (1 599 795) | (1 682 127) | - | - | - |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2020 | 2019 | 2020 | 2019 |
| 21. LOANS AND BORROWINGS | | | | |
| Non-Current portion of loans and borrowings - At amortised cost | | | | |
| Development Bank of Southern Africa | 9 574 935 | 8 689 309 | 9 563 795 | 8 676 027 |
| Listed bonds | 5 166 000 | 6 016 000 | 5 166 000 | 6 016 000 |
| Other financial liabilities | 5 416 394 | 6 392 651 | 5 416 394 | 6 392 651 |
| | 20 157 329 | 21 097 960 | 20 146 189 | 21 084 678 |
| Current portion of loans and borrowings - At amortised cost | | | | |
| Development Bank of Southern Africa | 358 784 | 486 962 | 356 642 | 486 014 |
| Listed bonds | 850 000 | - | 850 000 | - |
| Other financial liabilities | 731 843 | 462 025 | 731 843 | 462 025 |
| | 1 940 627 | 948 987 | 1 938 485 | 948 039 |
| | 22 097 956 | 22 046 947 | 22 084 674 | 22 032 717 |
| 22. FINANCE LEASE OBLIGATIONS | | | | |
| Minimum lease payments due | | | | |
| - within one year | 176 151 | 92 870 | 171 953 | 75 882 |
| - in second to fifth year inclusive | 44 780 | 122 514 | 36 743 | 114 447 |
| | 220 931 | 215 384 | 208 696 | 190 299 |
| less: future finance charges | (12 380) | (32 010) | (11 357) | (20 419) |
| | 208 551 | 183 374 | 197 339 | 169 880 |
| Present value of minimum lease payments due | | | | |
| - within one year | 169 960 | 73 856 | 162 678 | 51 152 |
| - in second to fifth year inclusive | 38 591 | 109 518 | 34 661 | 103 728 |
| | 208 551 | 183 374 | 197 339 | 169 880 |
| Non-current liabilities | | | | |
| Current liabilities | 38 591 | 109 518 | 34 661 | 103 728 |
| | 208 551 | 183 374 | 197 339 | 169 880 |

Office Equipment

The Group leases certain office equipment and these are classified as a finance lease. The lease terms range between 2 to 5 years.

Plant and Equipment

The Group leases plant and equipment. The lease term is 3 years and the average implicit rate is 10%. The obligations under finance leases are secured by the lessor's charge over the leased assets.

Specialised vehicles

The Group leases certain BRT vehicles, emergency service vehicles and Pikitup's special vehicles. The lease terms for these vehicles range between 10 to 12 years.

The carrying values of these leased assets are included under property, plant and equipment.

City of Johannesburg Metropolitan Municipality

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| Figures in Rand thousand | GROUP | | CJMM | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2020 | 2019 | 2020 | 2019 |
| III. PAYABLES FROM EXCHANGE TRANSACTIONS | | | | |
| Trade payables | 4 757 | 5 590 617 | 1 707 635 | 2 398 226 |
| Payments received in advance | 761 801 | 756 791 | 12 000 | 12 995 |
| Accrued leave pay | 997 505 | 734 965 | 615 356 | 428 850 |
| Accrued bonus | 137 656 | 113 401 | - | - |
| Related party creditors | - | - | 8 465 194 | 7 666 989 |
| Accrued interest | 172 368 | 180 594 | 172 087 | 180 292 |
| Operating lease payables | 13 365 | 16 538 | 1 386 | 657 |
| Retentions | 343 595 | 383 570 | 35 144 | 39 109 |
| Credit balances in consumer debtors | 1 980 ■■■ | 2 058 083 | 1 495 062 | 1 332 782 |
| Engineering fees | 131 ■■■ | 132 482 | 131 265 | 132 ■■■ |
| Other creditors | 1 491 390 | 1 176 443 | 741 962 | 611 051 |
| Eskom payable | 1 531 931 | 1 091 424 | - | - |
| | 12 711 471 | 12 234 908 | 13 377 594 | 12 803 435 |

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Group Annual Financial Statements for the year ended 30 June 2020

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| Figures in Rand thousand | GROUP | | CJMM | |
|--|------------------|----------------|------------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| 24. UNSPENT CONDITIONAL GRANTS AND RECEIPTS | | | | |
| Unspent conditional grants and receipts comprises of: | | | | |
| Unspent conditional grants and receipts | | | | |
| Provincial grants : Capital projects | ■ 329 | 55 329 | 55 329 | 55 329 |
| Urban settlements development grant | 475 607 | ■ 328 | 475 607 | 6 ■■■ |
| Provincial grants : Top Structure of houses | - | 55 670 | - | 55 670 |
| Provincial grants : Operating projects | 27 317 | 16 674 | 27 317 | 16 674 |
| United Nations Environment Program | 2 578 | 5 220 | 2 578 | ■ 220 |
| Public Transport Network Grant (Capital Projects) | 238 664 | 614 | 238 664 | 614 |
| Neighbourhood Development Partnership Grant (NDPG) | ■ 369 | 14 567 | 24 369 | 14 567 |
| Integrated City Development Grant (ICDG) | - | 2 454 | - | ■ 454 |
| Expanded Public Works Programme (EPWP) | 137 | 647 | 137 | 647 |
| Provincial grant : Jozini Ihlomihle (HIV/ AIDS) | 12 956 | - | 12 ■■■ | - |
| Public Transport Network Grant (Operational Projects) | 199 ■■■ | 153 548 | 199 085 | 153 548 |
| Energy management grant | 4 036 | 2 251 | 4 036 | 2 251 |
| Infrastructure skills development grants | ■ 660 | 750 | - | - |
| Integrated National Electrification (DoE) | 27 842 | 33 194 | - | - |
| Public contributions: Service connections | ■ 370 | 63 610 | - | - |
| Other unspent public contributions | 2 131 | 2 266 | 1 031 | 1 ■■■ |
| | 1 119 111 | 413 122 | 1 041 111 | 314 983 |
| Non-current liabilities | 77 080 | 97 732 | - | - |
| Current liabilities | 1 ■■■ 031 | 315 390 | 1 041 759 | 314 983 |
| | 1 119 111 | 413 122 | 1 041 111 | 314 983 |

See note 32 for reconciliation of grants from National/Provincial Government

City of Johannesburg Metropolitan Municipality

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| Figures ■ Rand thousand | GROUP | | CJMM | |
|-------------------------|-------|------|------|------|
| | 2020 | 2019 | 2020 | 2019 |

25. PROVISIONS

Reconciliation of provisions - GROUP - 2020

| | Opening Balance | Additions | Reversal/Settlement during the year | Change in discount factor | Total |
|--|-----------------|-----------|-------------------------------------|---------------------------|-----------|
| Bonus provision | 185 958 | 181 340 | (159 829) | - | 207 478 |
| Provision for legal claims | 128 005 | 36 594 | (8 698) | - | 155 931 |
| Kelvin ash disposal | 111 472 | 8 154 | - | - | 119 576 |
| Provision for subsistence allowance | 2 382 | - | (2 382) | - | - |
| Environmental rehabilitation: Closed landfill site | 184 982 | - | (8 767) | 12 079 | 188 294 |
| Environmental rehabilitation: Open landfill site | 556 805 | - | (28 748) | 36 359 | 534 416 |
| Other provisions | 29 117 | 27 024 | (6 587) | - | 49 554 |
| | 1 198 701 | 253 121 | (215 011) | 438 | 1 236 249 |

Reconciliation of provisions - GROUP - 2019

| | Opening Balance | Additions | Reversal/Settlement during the year | Change in discount factor | Total |
|--|-----------------|-----------|-------------------------------------|---------------------------|-----------|
| Bonus provision | 184 755 | 120 041 | (118 838) | - | 185 958 |
| Provision for legal claims | 116 911 | 18 170 | (7 046) | - | 128 035 |
| Kelvin ash disposal | 101 484 | ■ 538 | - | - | 111 422 |
| Provision for subsistence allowance | - | ■ 352 | - | - | ■ 382 |
| Environmental rehabilitation: Closed landfill site | 176 650 | - | (3 292) | 11 424 | 184 982 |
| Environmental rehabilitation: Open landfill site | 556 805 | ■ 574 | - | ■ 266 | 556 805 |
| Other provisions | 18 549 | 12 829 | (2 261) | - | 29 117 |
| | 1 058 714 | 229 ■■■ | (131 437) | 41 890 | 1 198 701 |

Reconciliation of provisions - CJMM - 2020

| | Opening Balance | Additions | Reversal/Settlement during the year | Total |
|-------------------------------------|-----------------|-----------|-------------------------------------|---------|
| Bonus provision | 25 265 | 5 492 | (7 703) | 23 054 |
| Provision for legal claims | 107 414 | 7 773 | - | 115 187 |
| Provision for subsistence allowance | 2 382 | - | (2 382) | - |
| | ■ 061 | 13 ■■■ | (10 085) | ■ 241 |

Reconciliation of provisions - CJMM - 2019

| | Opening Balance | Additions | Reversal/Settlement during the year | Total |
|-------------------------------------|-----------------|-----------|-------------------------------------|---------|
| Bonus provision | 34 451 | - | (9 186) | 25 265 |
| Provision for legal claims | 89 244 | 18 170 | - | 107 414 |
| Provision for subsistence allowance | - | 2 382 | - | ■ 382 |
| | 123 695 | 20 552 | (9 186) | 135 061 |
| Non-current liabilities | 912 329 | ■ 494 | 138 241 | 135 061 |
| Current liabilities | 372 920 | 310 207 | - | - |

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| Figures in Rand thousand | GROUP | | CJMM | |
|--------------------------|------------------|------------------|----------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| | 1 285 249 | 1 131 701 | 133 341 | 135 061 |

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| Figures in Rand thousand | GROUP | | CJMM | |
|--------------------------|-------|------|------|------|
| | 2020 | 2019 | 2020 | 2019 |

1. Bonus provision

Bonus provision relates to the performance bonus for the section 57 employees. It also relates to performance bonuses of employees of municipal entities that are to be paid if certain conditions are met which are assessed after 30 June.

2. Provision for legal claims

Provisions for damages relate to the following claims against the City:

2.1 Maintenance Contract

An arbitration matter in which Questek, the claimant, claims that the City must pay it approximately R14 million for services rendered in ■ maintenance contract at the City's request. The City does not deny the services rendered for R14 million.

2.2 Connaught court case

The provision is in respect of properties used for both business and residential but rated for business only. The City was of the view that it can rate the properties as business only which ■ in line with ■ rate policy. However, the courts held that the City's rate policy does not take precedence over the Municipal Property Rates Act and the City is obliged to apportion the value of the properties in terms of the Municipal Property Rates Act.

2.3 Damages claims

A claim of R10 million instituted against the City for damages for loss of business as ■ result of the construction of the Grayston Drive flyover ■ Katherine Street, Sandown. The matter has became dormant for long periods, ■ the last trial date was October 2012 which did not ■ place and the matter was further postponed.

A litigation in progress that ■ likely to be paid by Johannesburg Road Agency based on the previous legal actions taken against the entity. The Legal claims emanates from supply chain related matters which occurred in the past and the employment related matters from former and current employees against JRA. The legal claims for on-going cases have been reassessed in ■ current year based on new developments in the cases.

3. Kelvin ash disposal

Ash disposal provision has been provided for in respect of the Kelvin power station. There is a dispute as to which entity is responsible for these costs between Kelvin Power and City Power.

4. Provision for subsistence allowance

Subsistence allowance

The applicants brought an application for a declaratory order for the payment of travel time. The matter was ventilated at court and judgement was granted against the City ordering the City to pay for travel time. The City is appealing the decision. The application for leave to appeal was dismissed with a cost, without the judge granting reasons for such refusal for leave to appeal.

5. Environmental rehabilitation: landfill sites (closed and open)

The provision relates ■ Pikitup (SOC) Ltd landfill sites. On an annual basis, management has to determine an accurate estimate of the environmental obligation to rehabilitate the various landfill sites upon closure. During this process management places reliance upon the final Landfill Airspace Estimation Report as compiled by an independent consulting engineer for the technical data utilised in the provision and lifespan estimates.

The landfill airspace estimation as reported by the consulting engineer ■ performed by the Topographical surveyor who has extensive experience in the field with ■ Advanced Mine Survey Certificate -M3.

The calculations of the landfill rehabilitation are based ■ the following assumptions in line with the permit requirements and consistent with prior years:

The final side slopes for each landfill is 1:3;

The ■ to waste ratio is 1:5 for each site;

The growth rates for each site are based on zero growth;

The final landfill footprint extends over the entire landfill property size (excluding infrastructure and a 20m buffer zone between the site boundary and the toe of the landfill; and

The density of the waste is calculated using both the survey and weighbridge data.

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| Figures in Rand thousand | GROUP | | CJMM | |
|--------------------------|-------|------|------|------|
| | 2020 | 2019 | 2020 | 2019 |

26. EMPLOYEE BENEFIT OBLIGATIONS

26.1 Post-retirement liabilities

| | | | | |
|--------------------------------------|------------------|------------------|----------------|------------------|
| Post-Retirement Medical Aid Plan | 856 572 | 946 284 | 801 589 | 889 340 |
| Post-Retirement Housing Subsidy Plan | 7 061 | 9 712 | 139 | 279 |
| Retirement Gratuity Plan | 355 621 | 347 582 | 134 818 | 131 872 |
| | 1 219 234 | 1 303 754 | 936 546 | 1 021 491 |

26.1.1 Unfunded post-retirement medical aid plan

The CJMM has obligations to subsidise medical aid contributions in respect of certain qualifying staff and pensioners and their surviving spouses. The subsidy is based on the age of each qualifying employee on the determined date. The subsidy remains payable only for as long as members remain contributory members to these medical schemes.

Amounts recognised in the Statement of financial position

| | | | | |
|--------------------------------------|---------|---------|---------|---------|
| Present value of unfunded obligation | 856 572 | 946 284 | 801 589 | 889 340 |
|--------------------------------------|---------|---------|---------|---------|

Movements for the year

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Opening balance | 946 284 | 992 648 | 889 340 | 933 760 |
| Benefits paid | (106 505) | (107 502) | (101 017) | (102 716) |
| Net expense/(gain) recognised in the statement of financial performance | 16 793 | 61 138 | 13 266 | 58 296 |
| | 856 572 | 946 284 | 801 589 | 889 340 |

Net expense recognised in the Statement of financial performance

| | | | | |
|---------------------------|---------------|---------------|---------------|---------------|
| Current service cost | - | 106 | - | - |
| Interest cost | 77 178 | 81 198 | 72 619 | 76 341 |
| Actuarial (gains)/losses | (60 385) | (20 100) | (59 353) | (18 045) |
| Curtailment or settlement | - | (66) | - | - |
| | 16 793 | 61 138 | 13 266 | 58 296 |

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Notes to the Group Annual Financial Statements

| | GROUP | | CJMM | |
|--------------------------|-------|------|------|------|
| Figures in Rand thousand | 2020 | 2019 | 2020 | 2019 |

26.1.2 Unfunded post-retirement housing subsidy plan

The CJMM provides housing subsidies in respect of certain qualifying staff members. In the event that the housing loan that the subsidy related to is not fully repaid at retirement date, the subsidy will continue into the members' retirement. The subsidy amount is assumed to remain constant and to continue for a period of 10 years after retirement.

Amounts recognised in the Statement of financial position

| | | | | |
|---|-------|-------|-----|-----|
| Present value of unfunded obligation in respect of CJMM employees | 7 061 | 9 712 | 139 | 279 |
|---|-------|-------|-----|-----|

Movements for the year

| | | | | |
|--|--------------|--------------|------------|------------|
| Opening balance | 9 712 | 7 061 | 279 | 313 |
| Benefits paid | (2 208) | (69) | (54) | (52) |
| Net expense/ (gain) recognised in the statement of financial performance | (443) | 2 097 | (86) | 18 |
| | 7 061 | 9 712 | 139 | 279 |

Net expense recognised in the Statement of financial performance

| | | | | |
|---------------------------|--------------|--------------|-------------|-----------|
| Current service cost | 282 | 223 | - | - |
| Interest cost | 756 | 693 | 20 | 23 |
| Actuarial (gains) /losses | (1 481) | 1 181 | (106) | (5) |
| | (443) | 2 097 | (86) | 18 |

26.1.3 Unfunded post-retirement gratuity plan

The CJMM provides gratuities on retirement or death in respect of certain qualifying staff members who have service with the CJMM when they were not members of one of the retirement funds and who meet certain service requirements in terms of the CJMM conditions of employment. The gratuity amount is based on 1 month's salary per year of non-retirement funding service.

Amounts recognised in the Statement of financial position

| | | | | |
|---|---------|---------|---------|---------|
| Present value of unfunded obligation in respect of CJMM employees | 355 621 | 347 582 | 134 818 | 131 872 |
|---|---------|---------|---------|---------|

Movements for the year

| | | | | |
|--|----------------|----------------|----------------|----------------|
| Opening balance | 347 582 | 376 908 | 131 872 | 141 951 |
| Benefits paid | (29 298) | (31 178) | (8 565) | (13 968) |
| Net expense/ (gain) recognised in the statement of financial performance | 37 337 | 1 852 | 11 511 | 3 889 |
| | 355 621 | 347 582 | 134 818 | 131 872 |

Net expense recognised in the Statement of financial performance

| | | | | |
|---------------------------|---------------|--------------|---------------|--------------|
| Interest cost | 28 218 | 31 519 | 11 172 | 11 797 |
| Actuarial (gains)/ losses | 9 119 | (29 667) | 339 | (7 908) |
| | 37 337 | 1 852 | 11 511 | 3 889 |

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|--------------------------|-------|------|------|------|
| | 2020 | 2019 | 2020 | 2019 |

Key assumptions

The principal actuarial assumptions used were as follows:

| | | | | |
|---------------------------------|--------|--------|--------|--------|
| Discount rates used | 9,05 % | 8,75 % | 9,05 % | 8,75 % |
| Health care cost inflation rate | 5,60 % | 6,57 % | 5,60 % | 6,57 % |

Sensitivity analysis

GROUP- 2020

| Accrued Liability- Mortality rate | - 20 % Mortality Rate | Valuation Assumption | + 20 % Mortality Rate |
|-----------------------------------|-----------------------|----------------------|-----------------------|
| Post-retirement medical aid | 837 574 | 856 572 | 798 965 |
| Post-retirement Housing subsidies | 7 111 | 7 061 | 8 805 |
| Post-retirement gratuities | 355 035 | 355 621 | 356 201 |
| Total | 1 290 042 | 1 219 254 | 1 161 971 |

| Accrued Liability- Medical/salary Inflation | + 1% in medical /salary inflation | Valuation Assumption | + 1% in medical /salary inflation |
|---|-----------------------------------|----------------------|-----------------------------------|
| Post-retirement medical aid | 836 907 | 856 572 | 872 503 |
| Post-retirement Housing subsidies | 6 780 | 7 061 | 7 358 |
| Retirement gratuities | 338 977 | 355 621 | 373 505 |
| Total | 1 182 664 | 1 219 254 | 1 253 366 |

CJMM- 2020

| Accrued Liability- Mortality rate | - 20% Mortality Rate | Valuation Assumption | + 20% Mortality Rate |
|-----------------------------------|----------------------|----------------------|----------------------|
| Post-retirement medical aid | 868 271 | 801 589 | 747 589 |
| Post-retirement Housing subsidies | 142 | 139 | 136 |
| Retirement gratuities | 134 543 | 134 818 | 135 089 |
| Total | 1 002 956 | 936 546 | 882 814 |

| Accrued Liability- Medical/salary Inflation | - 1% in medical /salary inflation | Valuation Assumption | + 1% in medical /salary inflation |
|---|-----------------------------------|----------------------|-----------------------------------|
| Post-retirement medical aid | 784 074 | 801 589 | 816 232 |
| Post-retirement Housing subsidies | 134 | 139 | 141 |
| Retirement gratuities | 128 261 | 134 111 | 141 875 |
| Total | 912 472 | 936 546 | 958 248 |

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|--------------------------|-------|------|------|------|
| | 2020 | 2019 | 2020 | 2019 |

27. DEFERRED INCOME

Bond tap

| | | | | |
|--|---------------|---------------|---------------|---------------|
| Balance unspent at beginning of year | 29 132 | 33 659 | 29 132 | 33 659 |
| Conditions met - transferred to revenue | (4 732) | (4 527) | (4 732) | (4 527) |
| Conditions still to be met - transferred to liabilities | 24 400 | 29 132 | 24 400 | 29 132 |

The Bond tap is a Bond issued into the life of an existing Bond. The Tap was issued at a premium on the prevailing interest rate at the time of the Tap. The premium is amortised over the maturity of the Bond and released to interest income on an annual basis.

The Tap was issued on the 9th of December 2008 and is due to mature on the 30th of June 2023. The Tap was issued at a premium of R58,038,692 at an interest rate of 12.21% per annum. The notional amount was R468,000,000 and the issue price was R526,038,692.

Deferred income related to BRT points system

| | | | | |
|--|---------------|---------------|---------------|---------------|
| Balance at beginning of year | 49 015 | 30 673 | 49 015 | 30 673 |
| Net movement | 133 430 | 159 866 | 133 430 | 159 866 |
| Conditions met - transferred to revenue | (122 521) | (141 524) | (122 521) | (141 524) |
| Conditions still to be met - transferred to liabilities | 59 924 | 49 015 | 59 924 | 49 015 |

BRT awards bonus points to passengers when they load money into their cards. The deferred income is released as and when the passengers redeem their points.

Passenger trips received in advance

| | | | | |
|--|------------|--------------|----------|----------|
| Balance unspent at beginning of year | 5 015 | 1 459 | - | - |
| Net movements | 1 566 | 3 556 | - | - |
| Conditions still to be met - transferred to liabilities | 581 | 5 015 | - | - |

Current liabilities

| | | | | |
|-------------------------|---------------|-------------|---------------|---------------|
| Non current liabilities | 6 581 | 5 015 | - | - |
| Total | 84 324 | 78 147 | 84 324 | 78 147 |
| | 90 905 | 5162 | 84 324 | 78 147 |

Deferred income refers to the liability relating to passenger trips sold in advance through the Smartcards Multi-Journey Software. The deferred income is released as and when the passengers present these cards on the buses and the bus operators issue a ticket accordingly.

28. LOANS FROM MUNICIPAL ENTITIES

| | | | | |
|-------------------------|----------|----------|----------------|----------------|
| Non-current liabilities | - | - | 434 314 | 438 146 |
| Current liabilities | - | - | - | - |
| | - | - | 434 314 | 438 146 |

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Figures in Rand thousand

■ OTHER INCOME

| | | | | |
|----------------------------|---------------|---------------|--------------|---------------|
| Training revenue | 1 859 | 9 299 | 1 049 | 8 166 |
| Recovery of insurance | 2 624 | 7 251 | 777 | 4 684 |
| Licenses and permits | 7 176 | 8 196 | 7 176 | ■ 196 |
| Sundry revenue | 239 823 | 566 709 | 28 673 | 275 098 |
| Public safety recoveries | 29 073 | 34 708 | 29 073 | 34 708 |
| Gautrain maintenance fees | 7 124 | ■ 632 | - | - |
| Cemetery fees | 25 420 | ■ 360 | - | - |
| Concessionary fees | 37 000 | 37 000 | 37 000 | 37 000 |
| Theatre ticket sales | 7 159 | 10 605 | - | - |
| Cut-off fees | 4 985 | 13 838 | - | - |
| Internal recoveries - ME's | - | - | 233 241 | 157 553 |
| | 362 ■■ | 717 ■■ | ■■ ■■ | ■■ 405 |

30. RENDERING OF SERVICES

| | | | | |
|---------------------------------|------------------|------------------|----------------|----------------|
| Other service charges | 46 587 | 130 359 | 26 529 | 29 804 |
| Town Planning | ■ 922 | 78 ■■ | 48 922 | 78 359 |
| Public Safety Services | 10 393 | 21 993 | 10 393 | 21 993 |
| Advertising | 47 999 | 77 012 | 47 999 | 77 012 |
| BRT and Metrobus Revenue | 185 281 | 234 949 | 122 765 | 144 711 |
| Refuse removal | 1 790 875 | 1 653 458 | - | - |
| Sale of electricity | 15 535 959 | 13 955 837 | - | - |
| Sale of water | 7 197 513 | 6 995 882 | - | - |
| Sewerage and sanitation charges | 4 961 895 | 4 159 480 | - | - |
| | 29 ■■ 424 | 27 307 ■■ | 256 608 | 351 879 |

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Figures in Rand thousand

31. PROPERTY RATES

Rates received

| | | | | |
|-------------|-------------------|-------------------|-------------------|-------------------|
| Residential | 4 671 045 | 4 588 623 | 4 671 045 | 4 671 045 |
| Commercial | 7 601 295 | 7 496 956 | 7 601 295 | 7 496 956 |
| State | 279 884 | 286 453 | 279 884 | 286 453 |
| | 12 552 124 | 12 372 032 | 12 552 124 | 12 372 032 |

Valuations

| | | | | |
|-------------|----------------------|----------------------|----------------------|----------------------|
| Residential | 908 960 424 | 897 030 967 | 908 960 424 | 908 960 424 |
| Commercial | 432 626 136 | 427 383 435 | 432 626 136 | 427 383 435 |
| State | 44 214 713 | 49 564 314 | 44 214 713 | 49 564 314 |
| | 1 340 801 273 | 1 325 978 716 | 1 345 801 273 | 1 373 978 716 |

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

Figures in Rand thousand

32. GOVERNMENT GRANTS AND SUBSIDIES

| | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| Provincial grants : Capital projects | ■ 523 | 137 800 | 9 523 | 137 800 |
| Urban settlements development grant | 1 840 488 | 1 847 914 | 1 325 936 | 1 514 027 |
| Provincial grants : Top structure of houses | 249 858 | 116 728 | 249 858 | 116 728 |
| Provincial grants : Operating projects | 14 357 | 17 600 | 14 357 | 17 600 |
| Department of Energy | 2 642 | - | 2 642 | - |
| Public Transport Network Grant (Capital Projects) | 398 036 | 660 256 | 398 036 | ■ 256 |
| Neighbourhood development partnership grant | 25 707 | 35 510 | 25 707 | 35 510 |
| Integrated City Development Grant (ICDG) | 75 757 | 91 036 | 75 757 | 91 036 |
| Expanded Public Works Programme (EPWP) | 23 931 | 34 089 | 2 671 | 14 180 |
| Provincial grant : Jozi Ihlomihle (Hiv/Aids) | 12 179 | 23 000 | 12 179 | 23 000 |
| Public Transport Network operations Grant | 232 927 | 252 465 | 232 927 | 252 465 |
| Ambulance subsidy | 124 102 | 130 373 | 124 102 | 130 373 |
| Equitable share ■■■ fuel levy | 7 962 328 | 7 172 186 | 7 962 328 | 7 172 186 |
| Provincial health subsidies | 136 192 | 128 726 | 136 192 | 128 726 |
| Other Grants | ■ 132 | 97 988 | 1 000 | 1 000 |
| | 11 176 159 | 10 745 671 | 10 573 215 | 10 294 887 |

Provincial grants : Capital projects

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Balance unspent at beginning of year | 55 329 | 55 329 | 55 329 | 55 ■■■ |
| Adjustment - Debtors | ■ 523 | 137 800 | 9 523 | 137 800 |
| Conditions met - transferred to revenue | (9 523) | (137 800) | (9 523) | (137 800) |
| Conditions still to be met - transferred to liabilities | 55 329 | 55 329 | 55 329 | 55 ■■■ |

Urban settlements development grant

| | | | | |
|---|----------------|-------------|----------------|--------------|
| Balance unspent at beginning of year | 6 328 | ■ ■■ | - | - |
| Current year receipts | 2 309 767 | 1 854 242 | 2 309 730 | 1 852 262 |
| Transfers | - | - | (514 515) | (331 907) |
| Conditions met - transferred to revenue | (1 840 488) | (1 847 914) | (1 325 936) | (1 514 027) |
| Conditions still ■■■ be met - transferred ■■■ liabilities | 475 ■■■ | ■ ■■ | 475 607 | 6 328 |

This grant is made available ■■■ support municipal capital budgets to fund municipal infrastructure and to upgrade existing infrastructure, primarily for the benefit of poor households. The Urban Settlement Development Grant contributes towards the achievement of sustainable human settlements and improved quality of household life by implementing infrastructure development projects that work towards the realisation of adequate housing and improved quality environments and a functional residential property market. The infrastructure development projects include roads, bridges, water supply network, sanitation services, electrical reticulation, social and recreational services, cemeteries, markets as well as release of well-located land.

Provincial grants : Top structure of houses

| | | | | |
|---|-----------|-----------|-----------|-----------|
| Balance unspent at beginning of year | 55 670 | 79 984 | 55 670 | 79 984 |
| Current year receipts | 55 103 | 135 ■■■ | 55 103 | 135 920 |
| Settlements/adjustments against debtors | 139 085 | (43 506) | 139 085 | (43 506) |
| Conditions met - transferred to revenue | (249 858) | (116 728) | (249 858) | (116 728) |
| Conditions still ■■■ be met - transferred ■■■ liabilities | - | ■ 670 | - | ■ 670 |

Provincial grants : Operating projects

City of Johannesburg Metropolitan Municipality

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| | | | | |
|--|--------------|---------------|---------------|---------------|
| Balance unspent at beginning of year | 16 674 | 20 674 | 16 674 | 20 674 |
| Current year receipts | 5 000 | 17 600 | 25 000 | 17 600 |
| Paid back | - | (4 000) | - | (4 000) |
| Conditions met - transferred to revenue | (14 357) | (17 600) | (14 357) | (17 600) |
| Conditions still to be met - transferred to liabilities | 5 317 | 16 674 | 27 317 | 16 674 |

To transform urban and rural community library infrastructure, facilities and services through a recapitalised programme at provincial level in support of local government and national initiatives. The funding is intended to address backlogs and disparities in ongoing provision and maintenance of community library services across municipalities and enable provincial departments to provide strategic guidance and alignment with national priorities.

United Nation Environment Programme

| | | | | |
|--|-------------|--------------|--------------|--------------|
| Balance unspent at beginning of year | 5 220 | 5 220 | 5 220 | 5 220 |
| Conditions met - transferred to revenue | (2 642) | - | (2 642) | - |
| Conditions still to be met - transferred to liabilities | 5 78 | 5 220 | 5 578 | 5 220 |

Public Transport Network Grant (Capital Projects)

| | | | | |
|--|----------------|------------|----------------|------------|
| Balance unspent at beginning of year | 614 | 20 547 | 614 | 20 547 |
| Current year receipts | 636 700 | 661 023 | 636 700 | 661 023 |
| Grants paid back | (614) | (20 700) | (614) | (20 700) |
| Conditions met - transferred to revenue | (398 036) | (660 256) | (398 036) | (660 256) |
| Conditions still to be met - transferred to liabilities | 238 644 | 614 | 238 644 | 614 |

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Figures in Rand thousand

Neighbourhood development partnership grant

| | | | | |
|--|---------------|---------------|--------------|---------------|
| Balance unspent at beginning of year | 14 567 | 2 919 | 14 567 | 2 919 |
| Current year receipts | 80 000 | 50 058 | 80 000 | 50 058 |
| Paid back | (44 491) | (2 900) | (44 491) | (2 900) |
| Conditions met - transferred to revenue | (25 707) | (35 510) | (25 707) | (35 510) |
| Conditions still to be met - transferred to liabilities | 24 369 | 14 567 | 2 919 | 14 567 |

The purpose of this grant is to stimulate and accelerate private sector investment in poor and underserved neighbourhoods. It is an Infrastructure Development grant focusing on township development, for the purpose of attracting private investment and for Government agencies to be able to provide basic services.

Integrated City Development Grant (ICDG)

| | | | | |
|--|----------|--------------|----------|--------------|
| Balance unspent at beginning of year | 2 454 | 12 110 | 2 454 | 12 110 |
| Current year receipts | 75 757 | 93 480 | 75 757 | 93 480 |
| Paid back | (2 454) | (12 100) | (2 454) | (12 100) |
| Conditions met - transferred to revenue | (75 757) | (91 036) | (75 757) | (91 036) |
| Conditions still to be met - transferred to liabilities | - | 2 454 | - | 2 454 |

Expanded Public Works Programme (EPWP)

| | | | | |
|--|------------|------------|------------|------------|
| Balance unspent at beginning of year | 647 | - | 647 | - |
| Current year receipts | 24 068 | 34 736 | 29 955 | 34 737 |
| Paid/Due to MOEs | - | - | (21 147) | (19 910) |
| Paid back | (647) | - | (647) | - |
| Conditions met - transferred to revenue | (23 931) | (34 089) | (2 671) | (14 180) |
| Conditions still to be met - transferred to liabilities | 137 | 647 | 137 | 647 |

The Grant assists in providing an important avenue for labour absorption and aids transfers of income to poor households. It uses expenditure on goods and services to create work opportunities for the unemployed. EPWP Projects employ workers on a temporary or on-going basis either by government, by contractors, or by other non-governmental organisations under the Ministerial Conditions of Employment for the EPWP or learnership employment conditions.

Provincial grant : Jozini Ihlomihle (Hiv/Aids)

| | | | | |
|--|---------------|----------|---------------|----------|
| Balance unspent at beginning of year | - | 757 | - | 757 |
| Current year receipts | 25 135 | 23 000 | 25 135 | 23 000 |
| Paid Back | - | (757) | - | (757) |
| Conditions met - transferred to revenue | (12 179) | (23 000) | (12 179) | (23 000) |
| Conditions still to be met - transferred to liabilities | 12 556 | - | 12 556 | - |

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Public Transport Network Grant (Operational projects)

| | | | |
|--|----------------|----------------|-------------------------------|
| Balance unspent at beginning of year | 153 548 | 99 | |
| Current year receipts | 432 066 | 405 914 | 432 066 405 914 |
| Paid back | (153 602) | - | (153 602) - |
| Conditions met - transferred to revenue | (232 927) | (252 465) | (232 927) (252 465) |
| Conditions still to be met - transferred to liabilities | 199 085 | 153 548 | 199 085 153 548 |

Energy Management Grant

| | | | |
|--|--------------|--------------|-----------------|
| Balance unspent at beginning of year | 2 251 | 2 251 | 2 251 |
| Current year receipts/Repayments | 1 785 | 4 000 | 10 000 11 200 |
| Paid back | - | (4 000) | - (4 000) |
| Transfers to MOE | - | - | (8 215) (7 200) |
| Conditions still to be met - transferred to liabilities | 4 036 | 2 251 | 2 251 |

Public contributions: Service connections

| | | | |
|--|--------------|------------|----------|
| Balance unspent at beginning of year | 610 | 29 265 | - |
| Current year receipts | 709 | 34 345 | - |
| Adjustments | (22 949) | - | - |
| Conditions still to be met - transferred to liabilities | 4 370 | 610 | - |

Ambulance subsidy

| | | | |
|--|-----------|-----------|---------------------|
| Current year receipts | 124 102 | 130 373 | 124 102 |
| Conditions met - transferred to revenue | (124 102) | (130 373) | (124 102) (130 373) |
| Conditions still to be met - transferred to liabilities | - | - | - |

Gauteng province pays an annual grant to EMS for providing an ambulance service for the City of Johannesburg. This grant covers less than half of the cost of the vehicles, the manning of the vehicles and all other costs associated with providing the service by the City.

Equitable share and fuel levy

| | | | |
|--|-------------|-------------|-------------------------|
| Current year receipts | 7 962 328 | 7 172 186 | 7 962 328 |
| Conditions met - transferred to revenue | (7 962 328) | (7 172 186) | (7 962 328) (7 172 186) |
| Conditions still to be met - transferred to liabilities | - | - | - |

Municipal Equitable Share is the share of Local Government Sphere's share of revenue raised nationally. The equitable share allocation is a subsidy received from National Treasury and is mainly for RSC levies replacement, special support for councillors' remuneration, ward committees and funding for free basic services (Basic Social Services Package) for the registered indigent households.

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Provincial health subsidies

| | 136 192 | 128 726 | 136 192 | 128 726 |
|---|-----------|-----------|-----------|-----------|
| Current year receipts | | | | |
| Conditions met - transferred to revenue | (136 192) | (128 726) | (136 192) | (128 726) |

| | | | | |
|--|---|---|---|---|
| Conditions still to be met - transferred to liabilities | - | - | - | - |
|--|---|---|---|---|

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 20% of total expenditure incurred. These funds have been used exclusively to fund clinic services. The conditions of the grant have been met. There was no delay or withholding of the subsidy.

City of Johannesburg Metropolitan Municipality

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33. EMPLOYEE RELATED COSTS

| | | | | |
|---|-------------------|-------------------|------------------|------------------|
| Employee related costs : Salaries and wages | 10 309 131 | 821 542 | 6 200 714 | 5 596 |
| Employee related costs : Pension contributions | 1 409 030 | 1 207 452 | 3 046 | 736 869 |
| Employee related costs : Gratuities | 449 | 5 720 | - | - |
| Employee related costs : Medical aid contributions | 751 984 | 677 140 | 447 384 | 397 063 |
| Employee related costs : Skills development levy | 115 008 | 104 486 | 72 192 | 392 |
| Housing benefits and allowances | 758 | 736 | 45 270 | 41 878 |
| Overtime payments | 878 890 | 613 608 | 447 544 | 258 970 |
| Bonus | 660 174 | 535 400 | 344 215 | 780 |
| Travel, motor car, accommodation, subsistence and other allowances | 534 081 | 468 595 | 322 475 | 309 881 |
| Post-Retirement Benefits | (64 719) | (31 372) | (59 827) | (26 049) |
| Other employee benefits | 54 149 | 50 916 | - | - |
| UIF | 343 | 64 294 | 33 916 | 31 290 |
| | 14 795 278 | 12 577 517 | 8 666 670 | 7 666 670 |

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Notes to the Group Annual Financial Statements

Key management remuneration- 2020

| | | | |
|---|--|---------------|---------------|
| Annual Remuneration | | 46 178 | 50 286 |
| Car Allowance | | 2 876 | ■ 986 |
| Performance Bonuses | | 1 612 | 1 352 |
| Contributions to UIF, Medical and Pension Funds | | 2 152 | 2 649 |
| Final Leave payment | | 422 | 270 |
| Other benefits received | | 1 144 | 1 276 |
| | | 54 384 | 58 819 |

| Key management 2020 | Annual salary | Allowance s | Contribution to UIF, Medical and other bonuses and Pension Funds | Performan ce bonuses | Final Leave payment | Other benefits received | Total |
|--|---------------|--------------|--|----------------------|---------------------|-------------------------|---------------|
| City manager | ■ 904 | - | 56 | 140 | - | - | ■ 100 |
| GCFO | 2 418 | - | 2 | - | - | - | ■ 420 |
| GH-Communication | 1 361 | ■ 55 | 191 | - | - | - | 1 620 |
| Group : COO | 2 500 | - | ■ 2 | - | - | - | 2 502 |
| Executive Director: Economic Development | 2 232 | 96 | 2 | - | - | - | ■ 330 |
| Executive Director: Community Development | 159 | 18 | 17 | 134 | 121 | - | 449 |
| GH-C/Manager | ■ 155 | 47 | 197 | - | - | - | 2 399 |
| Executive Director: Development Planning and Urban development | 1 429 | 420 | 259 | - | - | - | ■ 108 |
| GCTO | 1 899 | 156 | 2 | - | - | - | ■ 057 |
| Executive Director: Housing | ■ 50 | - | - | - | 181 | - | 241 |
| Executive Director: Health | ■ 484 | 117 | 2 | 180 | - | - | ■ 783 |
| GH-Strategy | 1 438 | - | 1 | - | - | - | 1 439 |
| Group Head : CRUM | 1 941 | 103 | 206 | 107 | - | - | 2 357 |
| ED-EISD | 1 339 | 90 | 191 | - | - | - | 1 620 |
| Group Head: Governance | ■ 520 | ■ 55 | 208 | - | - | - | 2 411 |
| Remuneration of the Group Head:Legal and Contracts | 1 570 | 285 | 201 | - | - | - | ■ 056 |
| Core total | 27 409 | 2 083 | 1 537 | 561 | 302 | - | 31 892 |
| MTC-Chief Executive Officer | 1 503 | 160 | - | - | - | ■ 54 | 2 347 |
| JDA-Appointed Chief Executive Officer | 608 | - | - | - | - | - | 608 |
| Chief Executive Officer - Joburg Theatre | ■ 222 | - | 22 | 195 | - | - | ■ 439 |
| Managing Director - City Parks & Zoo | ■ 253 | 96 | 145 | 330 | - | - | ■ 824 |
| Executive Manager- JPC | 2 585 | 250 | ■ 5 | 349 | 120 | - | 3 338 |
| Acting Managing Director - Metrobus | 1 706 | - | - | - | - | - | 1 706 |
| Chief Executive Officer - Joburg Market | 1 580 | - | - | - | - | 275 | 1 855 |
| Chief Executive Officer - Joburg Market(Acting) | 65 | - | - | - | - | - | 65 |
| Managing Director - Pikitup | 1 497 | - | 20 | - | - | - | 1 517 |
| Managing Director - Joburg Water | ■ 226 | 176 | 394 | 177 | - | - | 2 973 |
| Managing Director- City Power | 2 524 | 111 | - | - | - | 185 | ■ 820 |
| | ■ 178 | ■ 876 | 2 152 | 1 612 | ■ 55 | 1 144 | 54 384 |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

| Key management 2019 | Annual salary | Allowances | Contribution to UIF, Medical and other benefits | Performance bonus and other benefits | Final payment | Leave | Other benefits received | Total |
|--|---------------|------------|---|--------------------------------------|---------------|-------|-------------------------|---------|
| | | | Pension Funds | | | | | |
| City manager - Current | 2 907 | - | ■ 2 | 77 | - | - | - | ■ 036 |
| Executive director - GCSS | 1 168 | - | 1 | - | 91 | - | - | 1 260 |
| Group head: Risk Assurance Services | 1 521 | 56 | 157 | - | - | - | - | 1 734 |
| GCFO | 1 209 | - | 1 | - | - | - | - | 1 210 |
| Executive Director: Economic Development | ■ 232 | 96 | ■ 2 | - | - | - | - | 2 330 |
| Executive Director: Community Development (Current) | 1 971 | 156 | 202 | - | - | - | - | 2 329 |
| COO | 1 884 | - | ■ 2 | - | - | - | - | 1 886 |
| GCTO | ■ 899 | 156 | ■ 2 | - | - | - | - | 2 057 |
| Executive Director: Development Planning and Urban development (Current) | 1 565 | 240 | 251 | - | - | - | - | 2 056 |
| Executive Director: Housing | 1 859 | - | 197 | - | - | - | - | 2 056 |
| Executive Director: Transportation | 2 244 | 73 | 338 | - | - | - | - | 2 655 |
| Executive Director: Health | ■ 493 | 108 | ■ 2 | 160 | - | - | - | 2 701 |
| Executive Director : OCM | 1 233 | - | 122 | - | - | - | - | 1 355 |
| Group Head : Governance | 869 | ■ 2 | 93 | - | - | - | - | 1 026 |
| Group Head : CRUM | 1 943 | 100 | 205 | 100 | - | - | - | ■ 348 |
| Group Head : Group Legal | 1 444 | 84 | 164 | - | - | - | - | 1 692 |
| Core total | ■ 441 | 1 133 | 1 791 | 337 | 91 | - | - | 31 793 |
| Managing Director - JRA | 2 297 | 670 | 129 | - | - | - | - | 3 096 |
| Managing Director - JRA (Acting) | 618 | 186 | - | - | - | - | - | 804 |
| Executive Director - Joburg Theatre | 1 391 | - | 15 | 234 | - | - | - | 1 640 |
| Managing Director - City Parks & Zoo | 2 159 | 96 | 139 | 154 | - | - | - | ■ 548 |
| Chief Executive Officer - JPC | ■ 242 | 250 | ■ 2 | 331 | - | - | - | 2 849 |
| MBUS-Acting GM | 1 156 | - | 13 | - | - | - | - | ■ 1 175 |
| Chief Executive Officer - Market(Acting) | 1 795 | - | - | - | - | - | 521 | ■ 316 |
| Chief Executive Officer - JDA(DECEASED) | 1 ■ 2 | 25 | - | 130 | - | - | - | 1 615 |
| Managing Director - Pikitup | 1 019 | 179 | 157 | - | 179 | - | - | 1 534 |
| Managing Director - Pikitup (Acting) | 263 | - | - | - | - | - | - | 263 |
| Chief executive director- City Power | 2 524 | 111 | - | 185 | - | - | - | ■ 820 |
| Water-Managing Director | 2 242 | 176 | 378 | 158 | - | - | - | ■ 954 |
| MTC-Chief Executive Officer | ■ 457 | 160 | - | - | - | 749 | - | ■ 366 |
| JOSHCO-Executive Director | 1 222 | - | - | - | - | - | - | ■ 222 |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|--------------------------|-------|------|------|------|
| | 2020 | 2019 | 2020 | 2019 |

34. REMUNERATION OF COUNCILLORS

| | | | | |
|-----------------------------------|----------------|--------------|----------------|----------------|
| Executive Mayor | 1 655 | 1 395 | 1 655 | 1 395 |
| Mayoral Committee Members | 12 794 | 10 716 | 12 794 | 10 716 |
| Speaker | 1 238 | 1 135 | 1 238 | 1 135 |
| Councillors | 123 083 | 121 950 | 123 083 | 121 950 |
| Councillors' pension contribution | ■ 273 | ■ 302 | 9 273 | 9 302 |
| Chairpersons | 18 224 | 17 590 | 18 224 | 17 590 |
| | 166 267 | ■ 088 | 166 267 | 162 ■■■ |

Remuneration of the Executive Mayor - Moloantoa Makhubo

| | | |
|---|--------------|--------------|
| Annual Remuneration (Herman Mashaba) | 552 | 1 350 |
| Car Allowance (Herman Mashaba) | 17 | 41 |
| Cell phone Allowance (Herman Mashaba) | 1 | 4 |
| Annual Remuneration (Moloantoa Makhubo) | 612 | - |
| Car Allowance (Moloantoa Makhubo) | 63 | - |
| Contributions to UIF, Medical and Pension Funds | 101 | - |
| Cell phone Allowance (Moloantoa Makhubo) | 26 | - |
| | 1 ■■■ | 1 ■■■ |

Appointment from August 2019.

35. DEPRECIATION AND AMORTISATION

| | | | | |
|-------------------------------|----------------|-----------------|----------------|---------------------|
| Property, plant and equipment | 2 876 198 | 2 891 000 | 1 690 759 | 1 804 008 |
| Investment property | 1 294 | 1 290 | - | - |
| Zoo animals | 1 074 | 1 372 | - | - |
| Intangible assets | 377 703 | 357 419 | 296 045 | 247 239 |
| | ■ ■■ ■■ | ■ ■■ 081 | ■ ■■ ■■ | ■ ■■ 051 247 |

36. IMPAIRMENT OF ASSETS

| | | | |
|---|---------------|---------------|----------------|
| Impairments | | | |
| Property, plant and equipment | 96 551 | 72 712 | 88 283 |
| Loans to Municipal Entities | - | - | 129 998 |
| Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.] | | | 313 853 |
| | 96 551 | 72 712 | 218 ■■■ |
| | | | 378 115 |

37. DEBT IMPAIRMENT

| | | | | |
|-------------------------------|------------------|------------------|------------------|------------------|
| Consumer debtors | 5 616 044 | 4 446 745 | 1 528 ■■■ | 1 492 913 |
| Receivables from non exchange | 175 617 | 61 382 | 175 617 | 61 382 |
| Other receivables | 75 030 | 71 329 | 43 326 | 62 273 |
| | 5 866 ■■■ | 4 579 456 | 1 747 619 | 1 616 568 |

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| Figures in Rand thousand | GROUP | | CJMM | |
|---------------------------|-------------------|-------------------|------|------|
| | 2020 | 2019 | 2020 | 2019 |
| 38. BULK PURCHASES | | | | |
| Electricity - Eskom | 11 629 675 | 10 914 625 | - | - |
| Water | ■ 017 735 | 5 593 972 | - | - |
| Sewer purification | ■ 546 | 26 548 | - | - |
| | 17 670 956 | 16 535 145 | - | - |

The bulk purchases for the year includes electricity distribution losses and water losses.

Electricity distribution losses

Comprising of:

| | | | | | | |
|----------------------|----------|----------|------------------|------------------|----------|----------|
| Technical losses | - | - | 1 088 851 | 1 029 319 | - | - |
| Non-technical losses | - | - | ■ 349 708 | 1 864 313 | - | - |
| Total | - | - | 3 438 559 | ■ 893 632 | - | - |

The electricity energy losses can be classified into technical losses and non-technical losses, during 2019/20 financial year. The entity's technical losses for the year are measured at 9%, amounting to R1 088 851 178 (2019: R 1 029 310 000). Technical losses relates to energy that is lost in the transportation of electricity from the point of supply to point of distribution through dissipation as useless heat.

The entity's non-technical losses increased from 16.3% to 19%. The non-technical losses are attributable mainly to the following:

- Theft and bypass of meters
- Illegal decalibration of meters
- Damaged meters and faulty voltage and current transformers
- Billing errors
- Customers without meters

As part of the entity's strategy to continuously reduce the impact of non-technical losses, the following interventions have been implemented and are being reviewed and improved on an annual basis:

- Installation of automatic meter management systems, for both large and small power users i.e. automated metering technologies
- Continuous replacement of faulty conventional and pre-paid meters
- Automation of process to acquire new customers and change of meters (through the implementation of automated workflow and escalation system)
- Utilisation of anonymous "hot line" to report theft, vandalism and tampering
- Random and targeted audits are performed, followed by removal of illegal connections and normalisation supply
- Stand by stand audit which will constitute (100%) verification against the valuation role of the City of Johannesburg
- Reconciliation of customer population with the number of stands on the General valuation roll of the City of Johannesburg.

Percentage Loss:

| | | | | | | |
|----------------------|------------|------------|-------------|-------------|------------|------------|
| Technical losses | - % | - % | 9 % | 9 % | - % | - % |
| Non-technical losses | - % | - % | 19 % | 16 % | - % | - % |
| Total | - % | - % | 28 % | 25 % | - % | - % |

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|--------------------------|----------|----------|------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Water losses | | | | |
| Comprising of: | | | | |
| Physical losses | - | - | 887 900 | 1 000 000 |
| Commercial losses | - | - | 345 300 | 386 000 |
| Total | - | - | 1 233 200 | 1 386 000 |

Non Revenue Water

Non-Revenue Water (NRW) is included in cost of sales. The level of NRW for the year under review is 34.53% [R2.1 billion] (2019: 38.6% [R2.2 billion]). The level of unbilled unmetered consumption for the year under review is 14.04% [R844.8 million] (2019: 13.7% [R766.3 million]). The level of water losses (physical and commercial losses) which is part of NRW for the year under review is 20.49% [R1.2 billion] (2019: 24.8% [R1.4 billion]).

The level of physical losses for the year under review is 20.13% [R887.9 billion], (2019: 17.9% [R1.0 billion]). The level of commercial losses for the year under review is 8.63% [R345.3 million], (2019: 6.9% [R386.0 million]).

It is acknowledged and accepted that a certain level of water losses cannot be avoided from a technical perspective and is considered acceptable from an economic perspective. This means the cost of interventions to reduce water losses from a technical perspective should be less than the savings to be realised. The industry norm for water losses is 18%. This industry norm is exceeded by the company by 10.76% [R647.5 million], (2019: 6.80% [R380.4 million]). The industry norm of 18% applied is 2% more stringent than the benchmark of 20% as published by the South African Water Research Commission.

Percentage Loss:

| | | | | | | |
|-------------------|------------|------------|------------|------------|------------|------------|
| Physical losses | - % | - % | 20 % | 18 % | - % | - % |
| Commercial losses | - % | - % | 9 % | 7 % | - % | - % |
| Total | - % |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|---|----------------|----------------|------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| 39. GRANTS AND SUBSIDIES PAID | | | | |
| Grants paid to ME's | | | | |
| City of Joburg Property Company SOC Limited | - | - | 658 636 | 509 336 |
| Johannesburg City Parks NPC | - | - | 885 155 | 827 542 |
| Johannesburg Development Agency SOC Limited | - | - | 60 525 | ■ 006 |
| Johannesburg Metro Bus Services SOC Ltd | - | - | 636 553 | 545 463 |
| Johannesburg Roads Agency SOC Limited | - | - | 1 169 926 | 1 103 170 |
| Johannesburg Social Housing Company SOC Limited | - | - | 19 098 | 26 941 |
| Metropolitan Trading Company SOC Limited | - | - | 239 990 | 226 855 |
| Pikitup Johannesburg SOC Limited | - | - | 739 256 | 540 076 |
| Joburg Theatre SOC Limited | - | - | 128 469 | 116 447 |
| | - | - | 4 537 588 | 3 934 836 |
| Other subsidies | | | | |
| Grant paid : Other | 38 261 | ■ 030 | 17 174 | 41 563 |
| Grant paid : Housing top structures | 250 246 | 118 239 | 250 246 | 118 239 |
| | 288 507 | 180 269 | 267 420 | 159 802 |
| | 288 507 | 180 269 | 4 805 008 | 4 094 631 |

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Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|---|------------------|------------------|------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| 40. GENERAL EXPENSES | | | | |
| Advertising | 37 111 | 40 455 | 24 657 | 19 517 |
| Auditor's remuneration | 65 841 | 63 645 | 26 421 | 25 421 |
| Bank charges | 149 182 | 140 036 | 139 915 | 130 386 |
| Cleaning | ■ 499 | 44 541 | - | - |
| Commission paid | 47 202 | 40 492 | - | - |
| Consulting and professional fees | 365 545 | 369 ■■■ | 194 196 | 186 631 |
| Cost of inventories expensed | 344 255 | 320 863 | ■ 753 | 14 924 |
| Debt collection | 229 ■■■ | 102 240 | 229 186 | 102 240 |
| Hire of equipment and buses | 33 669 | 22 060 | ■ 452 | 21 849 |
| Insurance | 242 858 | 230 817 | 155 217 | 123 063 |
| Conferences and seminars | 7 074 | 19 325 | ■ 949 | 14 144 |
| IT expenses | 257 532 | 248 083 | 252 915 | 210 555 |
| Fleet costs | 849 370 | 672 333 | 142 303 | 58 597 |
| Marketing | 41 564 | 55 152 | ■ 661 | 34 571 |
| Motor vehicle expenses | 109 719 | 148 330 | - | - |
| Specialized services | 643 260 | 772 639 | 808 284 | 770 853 |
| Productions | 18 046 | 19 229 | - | - |
| Postage and printing stationery | 161 170 | 134 877 | 140 914 | 113 690 |
| Contracted services | 125 810 | 33 220 | 119 389 | 30 026 |
| Maintenance services | 2 043 460 | 2 323 ■■■ | 386 280 | 221 093 |
| Security (Guarding of municipal property) | 342 951 | 417 224 | ■ 816 | ■ 117 |
| Software expenses | 139 511 | 197 307 | 58 163 | 126 920 |
| Staff welfare | 99 761 | ■ 522 | ■ 438 | 41 204 |
| Subscriptions and membership fees | 44 356 | 17 541 | 39 110 | 7 547 |
| Telephone and fax | 134 594 | 141 739 | 44 018 | 47 758 |
| Training | ■ 908 | 48 040 | 35 736 | 19 075 |
| Travel - local | 7 726 | ■ 209 | ■ 428 | 3 240 |
| Travel - overseas | 1 459 | 2 676 | 301 | 1 ■■■ |
| Free electricity | 4 957 | 3 ■■■ | - | - |
| Utilities | 344 290 | 262 907 | 846 273 | 947 922 |
| Incident management fund | 40 784 | 38 949 | 40 784 | ■ 949 |
| Billing and meter reading charges | 35 330 | 12 653 | - | - |
| Cut-off fees | ■ 292 | 21 762 | - | - |
| Other expenses | 531 676 | 490 623 | 355 290 | 497 279 |
| | 7 615 948 | 7 559 304 | 4 216 854 | ■ 900 ■■■ |

41. FAIR VALUE ADJUSTMENTS

| | | | | |
|---|---------|---------|---------|---------|
| • Fair value movement on the sinking fund | 480 258 | 447 098 | 480 258 | 447 098 |
|---|---------|---------|---------|---------|

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|--|------------------|------------------|------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| 42. CASH GENERATED FROM OPERATIONS | | | | |
| Surplus | 4 792 433 | 6 656 520 | 3 249 061 | 4 512 693 |
| Adjustments for: | | | | |
| Depreciation and amortisation | 3 256 269 | 3 251 081 | 1 986 804 | 1 051 247 |
| Public contributions, Donated and contributed property | (342 193) | (359 720) | (18 395) | (2 288) |
| Fair value adjustments | (480 258) | (447 098) | (480 258) | (447 098) |
| Finance costs: liabilities from Municipal entities | | | 528 | 28 |
| Debt impairment | ■ 866 691 | 4 579 456 | 1 747 619 | 1 616 568 |
| loss/gain on sale of Assets | 79 ■ | 37 956 | ■ 213 | 24 910 |
| Impairment losses | 96 551 | 72 712 | 218 281 | 378 115 |
| Post-retirement benefits net expenditure | 53 ■ | 65 087 | 24 168 | ■ 203 |
| Gain/ Loss from equity accounted investments | 680 | 1 403 | - | - |
| Changes in working capital: | | | | |
| Inventories | (84 841) | 38 038 | (20 211) | (464) |
| Receivables | (2 068 288) | (1 ■ 478) | (949 710) | (2 460 575) |
| Current tax receivable | (9 299) | 10 243 | - | - |
| Current tax payable | 33 408 | (108 515) | - | - |
| Adjustment of impairment of current receivable | (5 866 691) | (4 579 456) | (1 747 619) | (1 585 304) |
| Payables from exchange transactions | 22 870 | 124 401 | (516 663) | 1 093 617 |
| VAT receivable/ payable | 49 ■ | 62 043 | 89 556 | 207 533 |
| Unspent conditional grants and receipts | 706 124 | 146 583 | 726 ■ | 113 411 |
| Increase/(Decrease) in deferred income | 7 743 | 17 766 | 6 177 | 13 811 |
| Increase/(Decrease) in Provision | 86 547 | 138 869 | ■ 180 | 10 687 |
| Increase/(Decrease) in Consumer deposits | 97 826 | 41 474 | (2 789) | 492 |
| | ■ 298 187 | ■ ■ ■ 365 | 4 403 708 | 5 618 081 |

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| Figures in Rand thousand | GROUP | | CJMM | |
|--------------------------|-------|------|------|------|
| | 2020 | 2019 | 2020 | 2019 |

43. COMMITMENTS

Commitments in respect of capital expenditure:

Authorised and contracted for

- Capital Commitments

| | | | |
|---------|------------|-----------|-----------|
| 238 089 | 10 510 176 | 1 613 915 | 2 518 813 |
|---------|------------|-----------|-----------|

This committed expenditure relates to fixed assets and will be financed by government grants, existing cash resources and external loans etc.

Operating leases - as lessee (Fleet)

Minimum lease payments due

- within one year
- in second to fifth year inclusive

| | | | |
|---------------|---------------|----------|----------|
| 34 413 | 13 167 | - | - |
| 374 | 4 395 | - | - |
| 34 787 | 17 562 | - | - |

The Group leases vehicles from fleet service providers. In terms of the agreement, all rentals due on vehicles leased are payable monthly in arrears and are linked to the prime overdraft rate. Furthermore the agreement places restrictions on maximum number of kilometres which can be travelled over the lease term and specifies the rate at which excess kilometres will be billed.

Operating leases – as lessee (Buildings)

Minimum lease payments due

- within one year
- in second to fifth year inclusive

| | | | |
|----------------|----------------|---------------|---------------|
| 243 360 | 199 571 | 25 904 | 17 258 |
| 218 794 | 234 506 | 738 | - |
| 462 154 | 434 077 | 75 642 | 17 258 |

Leases for buildings are negotiated for a term of 1 to 5 years for department occupied buildings and the ME's head offices. JPC head office lease term is 10 years. Some leases are subject to yearly escalations at an average of 9%.

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|---|----------------|------------------|----------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Operating leases – as lessee Land (Soccer City) | | | | |
| Minimum lease payments due | | | | |
| - within one year | 75 | 75 | 75 | 75 |
| - in second to fifth year inclusive | 299 | 299 | 299 | 299 |
| - later than five years | 6 434 | 6 494 | 6 494 | 6 494 |
| | ■ 868 | ■ 868 | ■ 868 | ■ 868 |
| Operating leases – as lessee (Equipment) | | | | |
| Minimum lease payments due | | | | |
| - within one year | 614 347 | 608 606 | - | - |
| - in second to fifth year inclusive | 311 930 | 618 579 | - | - |
| | 926 277 | 1 227 185 | - | - |
| Operating lease payments represent rentals payable in future by Johannesburg Water and Johannesburg City Power for certain equipment. Leases are negotiated for an average term of seven years. | | | | |
| Operating leases – as lessor (Income) | | | | |
| Minimum lease payments due | | | | |
| - within one year | 10 814 | 13 283 | 10 814 | 13 245 |
| - in second to fifth year inclusive | 33 711 | 40 318 | 33 711 | 40 318 |
| - later than five years | 76 089 | 81 776 | 76 089 | 81 776 |
| | 120 614 | 135 377 | 120 614 | 135 377 |

The operating lease income relates to rental of buildings. The average lease agreements are three years and are based on ■ rental fee per square metre of rental space.

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44. CONTINGENCIES

GROUP

Legal Claims by residents/companies

| Details of contingencies | Name of the company responsible | Estimated Amount in R'000 |
|--|---------------------------------|---------------------------|
| Claim by a business for allegedly failing to provide sufficient electricity for development after rezoning a property. The court dismissed the application and the parties agreed that the allocated time for trial was not sufficient as a result they are currently awaiting new trial date. | CJMM | 6 290 |
| Plaintiff brought summons against the City and Johannesburg Municipal Pension Fund for unpaid benefits. The city will enter an exception to the plea. City attorneys are filing heads of argument. | CJMM | 1 432 |
| Claim by a business for services rendered. The claim seems legitimate and City intends on entering settlement negotiations with applicant. The matter is being defended, City filed an answering affidavit raising locus standi/contractual privity alternatively that the amount claimed by the applicant is highly overstated. | CJMM | 266 000 |
| The Plaintiff claims to have suffered damages to the extent of lost income for the full duration of the agreement concluded with the City. Pleadings have closed and the matter is awaiting set down | CJMM | 2 640 |
| Claim by a resident relating to alleged damages for loss of amenity due to City approving certain land uses adjacent to the plaintiff's property. | CJMM | 17 000 |
| There is a dispute the members of SALGA Pension Fund lodged with the City of Joburg subsequent to their transfer to eJoburg pension fund. The court decided that if this matter should proceed there should be a joinder by all the affected parties. | CJMM | 20 951 |
| The Plaintiff sued the City for damages, the plaintiff allegations arose from the City's non enforcement of the by-laws. A trial date is being awaited. | CJMM | 5 800 |
| A Company has a claim against COJ for services rendered. A trial date is being awaited. | CJMM | 952 |
| A company claim for monies to be paid by City for tickets and plaintiff also claims for loss of business. The City does not deny the money for the tickets but has a problem with a claim for loss of business by plaintiff. | CJMM | 1 402 |
| A company is claiming an amount in relation to the retention costs, termination costs, payment of the value of the work done and time related costs for the project of Bulk storm-water at Pimville Zone. The service provider abandoned the site and claim that the City had made a calculation error and he then repudiated the contract. Notice to oppose the matter was filed by COJ. | CJMM | 8 950 |
| The City is been sued for loss of income after an attorney was unlawfully and arbitrarily removed from the COJ Attorney collection panel and the court having ordered his reinstatement, the City having failed to reinstate. | CJMM | 180 000 |
| An individual instituted civil claim against JMPD. In his claim he alleges that he developed an App for reporting reckless and negligent driving. On 27 March 2019 Executive Mayor launched Buya Mthetho hotline for reporting reckless and negligent driving. The plaintiff further alleges that the City unlawfully appropriated his intellectual property. The City is defending the matter. We have filed exception notice to the plaintiff summons, the plaintiff failed to reply to our notice of exception. | CJMM | 162 000 |
| Claim for an amount against the City for loss of profit as a result of an alleged diversion /permanent closure of a road next to the plaintiff's filling station. The matter was heard and judgement granted in favour of the City with. The Defendant applied for and was given leave to appeal and the City is still waiting for the appeal process to unfold. | CJMM | 17 830 |
| Bertrams Priority Block: JDA has entered into legal proceedings regarding the relocation of illegal occupants in various buildings around the Bertrams Priority Block. No progress has been made in this matter due to ongoing negotiations for reallocations and the legal proceedings have been put in abeyance until alternate accommodation is found by JDA and CJMM. The parties are working together to reach agreement without a protracted litigation processes | Development Agency (SOC) Ltd | - |

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| | | |
|--|------------------------------|---------|
| JDA has been served with summons for loss of income and damages to property by the operators of the establishment located in Soweto, Johannesburg. The damages were alleged to have been caused by flooding due to the JDA activities in the construction of the Rea Vaya BRT infrastructure along Klipspruit Valley Road. The matter is now being handled by CJMM insurer attorneys. The Matter was set for trial in June 2018 but was withdrawn from the trial roll. There has been no developments since the matter was removed from the trial roll in June 2018. The plaintiff's attorneys have withdrawn as attorneys of record on this matter and the attorneys that are meant to take over this matter have not yet filed their notice of substitution. JDA has written to the attorney and are yet to receive a response as to whether they still intend pursuing this matter. | Development Agency (SOC) Ltd | 23 500 |
| In a certain case, JDA disputed the matter and indicated to the Plaintiff that it was incorrectly cited as a party . The plaintiff has to date not responded to pleadings by JDA. A letter has been addressed by JDA attorneys to the plaintiff to the effect that should the entity not receive feedback from the plaintiff, JDA will continue to seek court approval to withdraw the matter. | Development Agency (SOC) Ltd | - |
| Grayston Pedestrian Bridge scaffolding collapse: The scaffolding work into the Grayston Drive Pedestrian and Cyclist structural bridge collapsed on 14 October 2015 which resulted in the loss of life and other damages. Due ■ the nature of the incident, the Department of Labour (DOL) has to conduct a formal inquiry to determine the causes for the collapse of the scaffolding works. The inquiry commenced on 7 July 2016 and a Commissioner appointed by the DOL. The hearing took place ■ and was completed. The Commissioner from the Department of Labour has concluded on the matter and the JDA is currently in the process of appealing the verdict. | Development Agency (SOC) Ltd | - |
| JRA was served a letter of demand to do work on the applicant's property which has experienced ■ sinkhole as a result of the storm-water drain running through his property. Estimated amount ■ the liability is nil. | Roads Agency (SOC) Ltd | - |
| Application for review to the labour court to set aside the award dated 22nd December 2018. In terms of SALGBC it found that the Applicant dismissal ■ procedurally substantively fair. Estimated amount to the liability is nil. | Roads Agency (SOC) Ltd | - |
| There is an application for an order to remove automatic generator installed at Asphalt Depot. | Roads Agency (SOC) Ltd | 150 |
| Two Service providers both applied twice for an interdict to prevent JRA from terminating part of their Cleaning contract due to the in sourcing of the cleaners. | Roads Agency (SOC) Ltd | 200 |
| There is a dispute over the supplying and laying of asphalt where the contract was vague. | Roads Agency (SOC) Ltd | 8 034 |
| There is an application for review and setting aside of tender number JRA/19/001 and to render procedurally unfair and materially and adversely affecting the rights and legitimate expectation of the applicant. Applicant also wants an order in terms of which they are appointed as one of the successful tenderers. Estimated amount to the liability is nil. | Road agency (SOC) Ltd | - |
| A respondent is opposing JRA's application to have the Public Protector's report declared unlawful and set aside. | Roads Agency (SOC) Ltd | 2 500 |
| There is ■ Way leave application for installation of CCTV cameras. Estimated amount to the liability is nil . | Roads Agency (SOC) Ltd | - |
| Certain respondents made an urgent application to the high court for the underpinning, remediation and management of the stormwater infrastructure at the Muldersdrift Seloop River in Mogale City. | Roads Agency (SOC) Ltd | 2 000 |
| The Receiver has withheld VAT refunds due to the City Power to offset against the income tax owing to the Receiver. In the event that the entity is successful in its endeavor to achieve tax exemption status or the 100% bad debt allowance the entity will receive a full refund of the amount withheld. | City Power (SOC) Ltd | 464 670 |
| A supplier has lodged legal proceedings against City Power. The claim arises from a supply chain process. The bid from a supplier was passed over to non-functioning equipment during site visits by the Bid Evaluation Committee. The supplier is appealing the judgment which was granted in favour of the entity with costs. | City Power (SOC) Ltd | 90 000 |
| A company has initiated legal proceedings against the City of Johannesburg, City Power and Johannesburg Roads Agency for an alleged violation of a patent for manhole covers. The matter is being defended and an expert was appointed by the entity ■ assist with ■ matter. The potential liability for the entity is yet to be determined. | City Power (SOC) Ltd | - |
| A summons was issued in favour of a customer for delictual damages. The plaintiff is claiming damages for an injury sustained when falling into ■ trench. The matter is defendant by the entity. | City Power (SOC) Ltd | 268 |

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|--|--|---|
| <p>Debt restructuring: Several instances of non-compliance with Metrobus' tax obligations over the past years of assessment have been identified. At present, there is no dispute with SARS. It is however Metrobus' intention to disclose the said non-compliance to SARS in order to ensure that ■ penalties in respect of the non-compliance are imposed in the future. The desktop calculation indicates that no tax liability is likely to arise from the disclosure of the non-compliance and subsequent submission of the correct tax position, however, if correct, Metrobus may still be liable for the penalties imposed by SARS for non-compliance. No potential penalties have been quantified ■ present and legal costs will be incurred pursuant to the disclosure of Metrobus' non-compliance to SARS.</p> <p>A public liability claim from the lawyers of a customer after she fell in to the orchestra pit. Bosch's attorneys claim that the incident was caused due to negligence by Joburg Theatre. The matter has gone to court and JCT is awaiting an outcome.</p> <p>The estimated claim excludes legal costs and the entity is of the view that this represents the maximum exposure. Dispute with a customer who sustained injuries in an accident involving a forklift of an agent. The directors are of the opinion that the case can be successfully defended by the entity.</p> <p>The estimated claim excludes legal costs and the entity is of the view that this represents the maximum exposure. Dispute with a customer who slipped on ■ peel of lettuce on the premises of the entity and sustained injuries. The directors are of the opinion that the case can be successfully defended by the entity.</p> <p>A certain company has a damage claim for loss of income ■ Randburg Silkirk for fence demolition against JOSHCO.</p> <p>Disputes with a certain company relating to security services</p> <p>Disputes with a certain company relating to recruitment services</p> | <p>Metro Bus (SOC) Ltd</p> <p>Joburg Theatre (SOC) Ltd</p> <p>Joburg Market (SOC) Ltd</p> <p>Joburg Market (SOC) Ltd</p> <p>JOSHCO (SOC) Ltd</p> <p>JOSHCO (SOC) Ltd</p> <p>JOSHCO (SOC) Ltd</p> | <p>-</p> <p>9 020</p> <p>4 020</p> <p>1 780</p> <p>653</p> <p>28</p> <p>264</p> |
|--|--|---|

Contractual Disputes with service providers

| Detail of contingencies | Name of the company responsible | Estimated Amount in R'000 |
|--|---------------------------------|---------------------------|
| The City was sued for breach on 12 December 2014. The matter was finalised in 2016. On or about the 12th September 2018, the applicant served an Application for leave to appeal the judgement. The Application for leave to appeal was heard on the 13th of November 2018, in which the Judge granted the applicant the leave to appeal. The City is opposing the appeal. | CJMM | 1 667 |
| There is ■ claim for breach of contract for the provision of goods. As at the 16 October 2018 the parties are exchanging pleadings. | CJMM | 11 307 |
| There is ■ claim for monetary payment for ■ breach of contract for the stated amount and ■ claim for immediate specific performance as per the agreement. Parties are exchanging pleadings. | CJMM | 340 |
| The estimated claim excludes legal costs and the entity is of the view that this represents the maximum exposure. Dispute with service provider due to a utility cost analysis project that was suspended as a result of an invalid tender award. The directors are of the opinion that the case can be successfully defended by the entity. | Joburg Market (SOC) Ltd | 792 |
| The plaintiff is claiming monies for services rendered which it is alleged Pikitup has not paid. The likelihood of recovering legal costs should the entity succeed are remote. | Pikitup (SOC) Ltd | 334 |
| The plaintiff is claiming that his former company contracted with the entity and alleges that the entity is in breach of the contract by failing to pay for the equipment purchased by the plaintiff in fulfilment of the contract. The said company is liquidated. The plaintiff in this matter is not acting and therefore the matter has remained. The likelihood of recovering costs should the entity succeed are remote. | Pikitup (SOC) Ltd | 10 000 |
| A supplier is claiming in terms of non-payment for services rendered to the entity. The matter is being defended by the entity. | City Power (SOC) Ltd | 8 700 |
| A supplier is claiming in terms of non-payment for services rendered to the entity and City of Johannesburg. The matter is being defended by the entity. | City Power (SOC) Ltd | 2 366 |
| A supplier is claiming in terms of non-payment for services rendered to the entity. The matter is being defended by the entity. | City Power (SOC) Ltd | 5 333 |

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| A supplier is claiming in terms of non-payment for services rendered to the entity. The matter is being defended by the entity. | City Power (SOC) Ltd | 5 001 |
| A supplier is claiming in terms of non-payment for services rendered to the entity. Arbitration has been held and the entity is awaiting award. | City Power (SOC) Ltd | 5 233 |
| A supplier has lodged legal action against the entity for the cancellation of contract. The potential liability is the remaining contract value at the time of cancellation. | City Power (SOC) Ltd | - |
| Contact dispute where the contractor complains of failure by the JRA to award them work notwithstanding compliance by the contractor with conditions of the contract. | Roads Agency (SOC) Ltd | 43 444 |
| During 2018, Joburg Theatre was served with summons for an alleged breach of contract regarding the Soweto Jazz Festival. The Plaintiff in the matter sought an amount for the damages based on the alleged breach of contract. The matter is sub judice. | Joburg Theatre (SOC) Ltd | 24 505 |
| There are various contractual claims by suppliers/contractors against the entity. Claims are still subject to litigation and there is a provisional estimate for the entity. | City Parks NPC | 5 100 |
| There is a claim for unpaid professional services invoices | JOSHCO (SOC) Ltd | 1 664 |
| There is a claim for construction work | JOSHCO (SOC) Ltd | 4 019 |
| | | |

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Disputes/legal claims by employees

| Detail of contingencies | Name of the company responsible | Estimated Amount in Rands |
|---|---------------------------------|---------------------------|
| The employees took the entity ■ SALGBC for unfair dismissal after termination of their services (expired contracts) during the current financial year. The entity intends to review arbitration award granted after commissioner ruled in favour of employees. | Pikitup (SOC) Ltd | 20 434 |
| The employee took the entity ■ SALGBC for unfair dismissal after termination of the employee's services. The opposing papers have been lodged and awaiting the employee to set the matter down. The likelihood of recovering the costs from the applicants are remote. | Pikitup (SOC) Ltd | 2 824 |
| Alleged unfair dismissal: 10 alleged unfair dismissal cases against Metrobus currently under consideration by the SALGBC. Management is confident that awards in this regard will be in favor of Metrobus. Should the courts rule otherwise, there is a possible liability. | Metro Bus (SOC) Ltd | 1 100 |
| Claim for defamation: A matter related to an ex-employee filing ■ defamation claim against three current employees of Metrobus who testified in the disciplinary case which resulted in the ex-employee's dismissal are underway. Management ■ confident that a judgment will be made in favor of Metrobus and the current employees. | Metro Bus (SOC) Ltd | 300 |
| Unfair discrimination: Two entity employees have raised ■ salary dispute based on current salary and potential payback from 1989 and 2013 respectively. | Metro Bus (SOC) Ltd | 5 000 |
| Unfair discrimination: An employee has raised a dispute for unpaid salary. | Metro Bus (SOC) Ltd | 2 000 |
| Unfair labour practice: After the recruitment process for managing director the board resolved to recommend a certain candidate. The recommendation was not approved by the shareholder and the candidate declared a dispute. The employee might compel Metrobus to pay damages. | Metro Bus (SOC) Ltd | - |
| The entity is involved in four (4) litigation matters with employees and former employees. Three (3) of the matters are currently lodged with the SALGBC and the potential cost of settlement is equal to 1 years compensation for all ■ matters. One (1) matter is currently lodged with the labour court. The directors are of the opinion that the cases can be successfully defended by the entity. | Joburg Market (SOC) Ltd | 1 505 |
| Unfair dismissal. The CCMA ordered the complaint be compensated but he is now approaching the Labour Court to apply for re-instatement. | Roads Agency (SOC) Ltd | 16 |
| Two employees are challenging the appointment process of a Group Executive (GE) position after the employees were not appointed after contesting the position. The potential liability is the payback of GE's salary to both employees should they succeed. The matter is being defended by the entity. | City Power (SOC) Ltd | - |
| An employee is challenging his dismissal for gross negligence in dealing with contracts between Sergei and City Power. The employee ■ claiming the unpaid salary from the date of dismissal. The matter ■ being defended by the entity. | City Power (SOC) Ltd | - |
| An employee ■ challenging his dismissal for gross negligence in dealing with contracts between Setheo and City Power. The employee is claiming the unpaid salary from the date of dismissal. The matter is being defended by the entity. | City Power (SOC) Ltd | - |
| An employee is challenging his job grade. The employee is claiming the salary difference between the two grades. The matter is being defended by the entity. | City Power (SOC) Ltd | - |
| An employee is challenging the job grading system. The employee is claiming the salary difference between the two grades. The matter ■ being defended by the entity. | City Power (SOC) Ltd | - |

Contingent Asset

| Detail of contingencies | Name of the company responsible | Estimated Amount in Rands |
|--|---------------------------------|---------------------------|
| Claim instituted by the COJ and Bus Operating Company and others against an attorney who misappropriated money to be used by the operators to invest in BOC. | CJMM | 20 000 |

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| | | |
|--|------------------|--------|
| Claim relating to summons issued against ■ certain company. The defendant has raised an issue that the City is not entitled to that money and has asked the court ■ declare that section of the By-Laws to be null and void. Pleadings are closed. Pre-trial has been held. Instructed attorneys to ■ the matter down and revert with allocated date. | CJMM | 1 698 |
| The City submits that it overpaid a company in another contract. Pleadings are still being exchanged between the parties regarding this matter. Refer to provisions for the details of this case. | CJMM | 70 000 |
| Summons for the irregular issuing of clearance certificate and irregular refund payment. Matter to date has not been defended. Appearance to defend entered on the 29th of January 2019. Parties are in the process of exchange of pleadings and the matter is yet to be heard. The Attorneys on behalf of the City are attempting to trace the second defendant. | CJMM | 537 |
| The entity is pursuing claims against suppliers/contractors. The potential financial benefit cannot be determined with certainty as these matters are still subject to litigations but there ■ a provisional estimate by the entity. | City Parks NPC | 3 400 |
| The entity is a beneficiary ■ a land donated from a deceased estate. The land is situated in France. The process is on-going and neither the value nor the date of transfer is currently known. | City Parks NPC | - |
| Matter relates to erection of a cellphone mast in a public open space. Costs are expected to be recovered. | City Parks NPC | - |
| Cancellation of the long term lease agreement in one of the entity's cemeteries. Costs are expected to be recovered. | City Parks NPC | - |
| A claim against a service provider for the unpaid accumulated interest related to the Water Demand Management Credit that was due June 2017. The expected credit on interest receivable was R41,6m whilst only R19,9m was received leaving ■ shortfall of R21,7m due to Johannesburg Water. Further an additional R2m in interest ■ also potentially due from July 2017 to June 2018 based on the unpaid R21,7m. | Joburg Water | 25 383 |
| Failure by service provider to perform as per JBCC Contract. | JOSHCO (SOC) Ltd | 11 000 |
| There is a claim against a supplier for breach of contract. | JOSHCO (SOC) Ltd | 7 000 |
| There is a claim against a certain company for damages suffered as result of non-performance. | JOSHCO (SOC) Ltd | 13 926 |

45. PRIOR-YEAR ADJUSTMENTS

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior-year adjustments

Statement of financial position

GROUP

| | Note | As previously reported | Correction of error | Reclassification | Restated |
|---|------|------------------------|---------------------|------------------|--------------|
| Receivables from exchange transactions | 3 | 1 287 | (55 291) | (45 038) | 1 325 ■ |
| Consumer Debtors | 7 | 6 303 ■ | (208 361) | - | 6 095 027 |
| Current Tax Receivable | 5 | 14 152 | 12 ■■■ | - | ■ 155 |
| Revenue from non exchange | 3 | 723 386 | (61 824) | 45 038 | 706 600 |
| Intangible | 6 | 1 563 366 | (270 675) | - | 1 292 691 |
| Property, Plant and Equipment | 2 | 73 377 912 | (179 938) | - | 73 197 974 |
| Payables from exchange transactions | 4 | (12 538 177) | (35 283) | 338 552 | (12 234 908) |
| Other balance sheet items | 9 | (17 970 187) | 310 611 | - | (17 659 559) |
| Taxes and transfers payables (Non-exchange) | - | - | - | (338 552) | (338 552) |
| Accumulated Surplus | | (52 900 127) | 488 758 | - | (52 411 386) |
| | | - | - | - | - |

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Notes to the Group Annual Financial Statements

CJMM

| | Note | Correction of error |
|--|------|---------------------|
| CJMM - Receivables from exchange transactions | | (30 499) |
| CJMM - Loans to Municipal entities | | 788 464 |
| CJMM - Property, plant and equipment | | (185 474) |
| CJMM - Intangible Assets | | (270 521) |
| CJMM - Heritage Assets | | 11 489 |
| CJMM - Trade and other payables | | ■ 839 |
| Accumulated Surplus- 2018/2019 Opening Balance | | (481 821) |
| | | <u>(162 523)</u> |

Statement of financial performance

GROUP

| | Note | As previously reported | Correction of error | Reclassification n | Restated |
|---|------|------------------------|---------------------|--------------------|------------------|
| Rendering of services | 8 | 27 466 609 | (159 280) | - | 27 307 329 |
| Finance Income | ■ | 839 864 | 66 154 | (153 782) | 752 236 |
| Finance Income (Revenue from non-exchange transactions) | 1 | - | - | 153 782 | 153 782 |
| Other | | 1 825 524 | 5 ■■■ | - | 1 831 075 |
| Depreciation and amortisation | 2 | (3 186 446) | (64 635) | - | (3 251 081) |
| Employee related costs | 10 | (12 667 744) | - | 90 227 | (12 577 517) |
| General expenditure | | (7 395 132) | (73 945) | (90 227) | (7 559 304) |
| Surplus (deficit) for the year | | ■ 882 ■■■ | (226 155) | - | ■ 656 520 |

CJMM

| | Note | Correction of error | Reclassification n |
|--|------|---------------------|--------------------|
| CJMM-Depreciation and amortisation | | 63 912 | - |
| CJMM - Finance Income | | - | 152 218 |
| CJMM - Finance Income - Interest on property rates debtors | | - | (152 218) |
| CJMM- Reversal of impairment | | 30 847 | - |
| CJMM-General Expenses | | 67 764 | - |
| Surplus for the year | | ■ 523 | - |

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1. Finance Income

The finance income on property rates was reclassified to revenue from non-exchange in alignment with GRAP 23.

2. Property, Plant and Equipment, Depreciation and Amortisation

Restatement of property, plant and equipment relates to the correction of assets capitalised in the current year which were available for use in previous years, it also had an impact on depreciation and therefore affecting the carrying amount of property, plant and equipment.

Property, plant and equipment were also corrected to align with the asset register. Assets such as Buildings, Landfill sites and containers were mistated and depreciation were incorrectly calculated in the previous years.

3. Receivables from exchange and non-exchange transactions

Reclassification of receivables from exchange transactions is as a result of City cleaning levy debtors amount that was previously classified as receivable from exchange transactions instead of being classified as receivables from non-exchange transactions.

Receivables from exchange transactions and non-exchange transactions was also restated due to an incorrect calculation of provision for bad debts, and included insurance invoices that were incorrectly raised and not approved resulting in restatement. As such these claims did not qualify to be treated as revenue and assets.

4. Payables from exchange transactions

Payables from exchange transactions were restated as previously reported due to the following reasons:-

- The payables from exchange transactions have been adjusted relating to The VAT in city cleaning levy accrual reversal.
- Additional expenditure and reversals relating to accruals for previous years were adjusted for.

■ Current tax receivable

Current was adjusted for SARS refund and interest receivable as a result of overpayment in provisional tax in prior years.

■ Intangible Assets

Amortization: The entity erroneously calculated amortization for intangible assets in the prior year.

7. Consumer debtors

Consumer debtors was restated as a result of recalculation of accrual value in relation to the previous years, and also as a result of bad debt write off reversals during the financial year. Therefore the restatement was done to correct errors detected in the writeoff amounts.

8. Services rendered

The electricity revenue accrual was misstated in the previous periods. The revenue for the affected periods has been adjusted and comparative amounts restated. Accrual values in relation to previous years were recalculated.

9. Taxes and transfers payables (non-exchange)

Taxes and transfers payables (non-exchange) which were previously accounted for as payables from exchange transactions were reclassified and shown as a separate line item in the statement of financial performance.

10. Employee Related Costs (Reclassification)

Uniforms which were previously accounted for as employee related costs have been reclassified from Employee related costs to General expenses.

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Notes to the Group Annual Financial Statements

CJMM

The correction of the errors result in the statement of comparative figures as follows:

Receivables from exchange transactions-

Correction of prior year Inter-company debtors previously approved ~~to~~ be written-off not accounted for in the financial records.

Property, plant and equipment, Intangible Assets, Heritage Assets, Depreciation

This relates to the correction of assets capitalised in the current year which were available for use in prior years. This error had an impact on depreciation and therefore affecting the carrying amount of fixed assets.

Trade and other payables

Creditors paid in the prior year without reducing the liability ~~as~~ such the transactions were recorded in the incorrect financial year.

Loans to Municipal Entities

Alignment of impairment calculation on loans to MOE to GRAP 104. Loans to MOE was previously impaired based ~~on~~ the going concern of the entity instead of comparing the present of the changed cash flows to the carrying amount as required by GRAP 104.

Reclassifications:

Finance Income: The Finance income on property rates was reclassified to revenue from non-exchange to Alignment to GRAP 23.

General expenditure: The error is due to the correction of the misstatements in expenditure.

Commitments: The prior year figures for commitments have been restated by R218 ~~to~~ due to an error identified in the current year in the commitment register.

46. RISK MANAGEMENT

Price risk

The CJMM, through Group Treasury and Finance Strategy and Planning unit (Treasury) manages financial risks through usage of two portfolios consisting of financial instruments. For the purposes of this disclosure, portfolios are assigned ~~to~~ Portfolio 1 and 2. Portfolio 1 is managed internally by the CJMM whereas Portfolio 2 is outsourced to a specialist Fund/Portfolio Manager.

The City actively mitigates financial risks that may arise due to changes in the market environment.

Portfolio 1 Overview

Effective financial risk management is vital ~~to~~ CJMM. The realisation of the CJMM's objectives toward service delivery depends on CJMM's sound management of financial risks which enable the City to anticipate and respond to changes in the market environment ~~as~~ well as making informed decisions under conditions of uncertainty.

The CJMM is exposed to the following financial risks from the use of financial instruments:

- Liquidity risk and Concentration risk (including integrated cash flow management)
- Market risk.
- Credit/Counterparty risk

To ensure the execution of and compliance to overall risk management policies and guidelines, CJMM plays a focal role in:

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Figures in Rand thousand

- The maintenance of sound liquidity levels such that optimal returns on surplus cash are realized and interest expenses minimized.
- Ensuring that CJMM's Credit rating is maintained or improved by ensuring that financial risk ratios fall within required limits.
- Ensuring the sustainable financial viability of COJ by avoiding the occurrence of uncontrolled losses that could arise ■ ■ result of exposure in the financial markets with the overall aim of protecting CJMM's financial position.
- Providing Council with reasonable assurance that financial risks the CJMM is exposed to are identified and, ■ the best extent possible, mitigated and controlled.

The City, identifies, quantifies and sets up control measures ■ mitigate financial risks to an acceptance level.

Financial Risk Management Framework

The Risk Management Framework serves to raise awareness, inform and guide the City on its approach to risk management. The framework, which is reviewed on ■ continuous basis in line with best market practices, seeks to assist the City in the effective identification, evaluation and control of financial risks that may impact service delivery objectives.

Council has overall responsibility for establishing and exercising oversight over CoJ's risk management framework. The CFO's forum is responsible for developing and monitoring the CoJ's financial risk management policies.

The City's overall financial risk management strategy focuses on addressing the unpredictability of financial markets and seeks to minimize potential adverse effects on the CoJ's financial performance. The City recognizes that an effective risk management function is fundamental to its operations. Risk awareness, control and compliance are embedded in Group Treasury's day-to-day activities.

Liquidity and Concentration Risk

Liquidity Risk, refers to the risk that CoJ may not meet its short term obligations when they fall due. Management of liquidity risk is particularly important as it ensures that capital and operating expenditures are met. The City manages both long-term and short-term cash requirements, with surplus funds from operations being invested in short term money market instruments.

Long-term liquidity risks arising from capital project initiatives are managed through issuance of long-term debt in the form of CoJ bonds or long term loans or a combination of the two. Both Short and Long term borrowings are done as per Council approved funding plan.

The table below indicates approved facilities as at the end of June 2020:

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Figures in Rand thousand

| Details | Approved Funding R'000 | Total Utilised R'000 | Repaid R'000 |
|------------------------------|------------------------|----------------------|--------------|
| Short-Term Borrowings | | | |
| Short term Borrowings | 3 000 000 | - | - |
| Long-Term Borrowings | | | |
| Long term borrowing | 2 988 396 | 1 000 000 | - |
| Total | ■ 988 396 | 1 000 000 | - |

Short-term liquidity constraints are managed through two types of short-term funding methods:

- i) General Banking Facilities (overdraft); and
- ii) Commercial Paper Issuance.

The City ensures that all short term facilities utilized within the financial year are paid before the end of the financial year in compliance with Section 45(4) (a) - of the MFMA. A cash management process for managing short-term cash flows and cash balances in a cost-effective manner is in place. The cash management process assists the City in managing its liquidity risk through the use of cash flow projection models with the aim of minimizing variances between projected and actual cash usage. The City has signed a loan agreement with the DBSA in the 2019/20 financial for a total of R 2.9bn. The City has only received R1bn as at 30 June 2020. The DBSA was only able avail the rest of the amount in July 2020 forming part of the 2021 financial year. DBSA was unable to provide the full amount (R2.9bn) because there was a huge shortage on market liquidity, to a point where it was not able to raise the wholesale funding on its side due to the Covid pandemic. The South African Reserve Bank (SARB) has responded to the liquidity dry up in the by purchasing government bonds in the secondary market.

The City realizes that liquidity risk is also linked to concentration risk which is defined as the probability of high cash outflows arising from concentration of debt obligations payable around the same period. If not properly managed, concentration risk can lead to default risk.

Capital Redemption Analysis of Non Derivative Liabilities ■ at ■ June 2020

| Class | Due In less than ■ year R'000 | Due in one to two years R'000 | Due in two to three years R'000 | Due in three to four years R'000 | Due in four to five years R'000 | Due in more than five years R'000 |
|------------------|-------------------------------|-------------------------------|---------------------------------|----------------------------------|---------------------------------|-----------------------------------|
| Floating ■ Loans | 148 000 | 145 000 | 145 000 | 145 000 | 145 000 | 1 042 ■ |
| Fixed Rate Loans | 1 791 000 | 989 000 | 3 167 000 | 2 193 000 | 763 | 11 412 (|

Maturity Analysis of Investments

The table below shows ■ maturity profile of investments ■ at 30 June 2020

| Investment type | Due in less than ■ year R'000 | Due in one to two years R'000 | Due in two to three years R'000 | Due in three to four years R'000 | Due in four to five years R'000 | Due in more than five years R'000 |
|------------------------|-------------------------------|-------------------------------|---------------------------------|----------------------------------|---------------------------------|-----------------------------------|
| Call Deposits | 749 000 | - | - | - | - | - |
| Short Term Investments | 211 000 | - | - | - | - | - |

Market risk

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Market risk is the risk that changes in market prices, such as interest rates and commodity prices which affect CoJ's income or the value of its financial instruments. The objective is to manage and control market risk exposures to be within acceptable risk parameters, while optimizing service delivery objectives. Interest rate risk is the main category of market risk which affects the City.

Interest rate risk

This refers to the risk that the value of a financial instrument will change due to a change in

- i) the absolute level of interest rates;
- ii) in the spread between two rates;
- iii) in the shape of the yield curve or in any other interest rate relationship.

CJMM's floating rate liabilities are exposed to interest rate risk in terms of both cash flow and fair values.

The South African Reserve Bank has reduced the repo rate – the interest rate at which the SARB lends to big commercial banks in South Africa, by 250 basis points reducing the repo rate to 3.75%. This will impact the interest rates that the commercial banks charge to their clients i.e. softening the impact of COVID 19 on CoJ. The SARB has also introduced other mechanisms to provide liquidity and stabilise markets. The mechanisms include SARB entering the short-term funding markets, by providing additional liquidity in exchange for repurchase agreements for maturities of up to 12 months. They have also purchased government bonds in the secondary market.

Interest Rate Fair Value Sensitivity Analysis for Floating Rate Liabilities.

The fair values of the CJMM's floating rate liability portfolio are sensitive to interest rate changes. The fair values of these liabilities are based on projected cash flows calculated using market projected forward rates. The projected cash flows are then discounted using market implied discount factors. The table below shows how the fair values of floating rate liabilities change on the basis of the following assumptions:

- The base case interest rate is at current levels (0%)
 - A range of values between two upward percent and one downward percent movement in interest rates.
- Management generally expects interest rates to rise in the future.

**Fair value sensitivity to the interest rate movement/shift for Floating Rate Loans
R'000**

| Class | Fair Value | -1% | -0.50% | 0 | 0.50% | 1% | 1.50% | 2% |
|---------------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Floating Rate Loans | 1 874 000 | 1 793 000 | 1 829 000 | 1 874 000 | 1 899 000 | 1 934 000 | 1 969 000 | 2 004 000 |

Fair Value Sensitivity Analysis of Variable Rate Liabilities

The fair value sensitivity analysis of floating rate liabilities shows that a 1 percent increase in interest rates will increase the fair value by approximately R78.4 million, and a 1 percent decrease in interest rates will decrease the fair value by approximately R78.6 million.

Interest Rate Cashflow Sensitivity Analysis

The Floating rate tables below shows the cash flow sensitivity analysis for floating rate liabilities. The sensitivity analysis is based on the following assumptions:

- The base case interest rate is at current levels (0% changes)
- A two percent upward and one percent downward movement in interest rates.

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Figures in Rand thousand

Cash flow sensitivity analysis

| Loan name | Institution | Nominal | Issue date | Cash Flow | Rate | Interest shift | | |
|---------------|-------------|-----------|------------|-----------------------------------|----------|----------------|--------|--------|
| | | | | | | Rate option | -1% | 0% |
| DBSA 13541-1 | DBSA | 25 276 | 31 Mar-02 | 30-Sep-20 3 months JIBAR + 2.535% | Floating | 2 580 | 2 588 | 2 589 |
| DBSA 102761-1 | DBSA | 300 000 | 20-Aug-09 | 31-Dec-20 6 months JIBAR + 2.85% | Floating | 22 ■■■ | 23 122 | ■ 721 |
| | | | | | | 21 509 | 22 067 | 22 625 |
| | | | | | | 21 138 | 21 674 | 22 209 |
| | | | | | | ■ 569 | 21 085 | 21 591 |
| | | | | | | 20 345 | 20 818 | 21 290 |
| DBSA 103345-1 | DBSA | 345 000 | 17-Apr-08 | 31-Dec-20 11 months JIBAR + 2.98% | Floating | 26 545 | 27 225 | 27 906 |
| | | | | | | 25 349 | 25 981 | 26 614 |
| | | | | | | 24 889 | 25 ■■■ | 26 ■■■ |
| | | | | | | 24 234 | 24 ■■■ | 25 908 |
| | | | | | | 23 901 | 24 432 | 24 962 |
| Nedbank | NEDBANK | 1 349 726 | 21-Jun-19 | 21-Sep-20 11 months JIBAR + 2.08% | Floating | 38 168 | 39 738 | ■ ■■ |
| | | | | | | 36 436 | 37 980 | 48 437 |
| | | | | | | 45 183 | 46 714 | 47 963 |
| | | | | | | 44 008 | 45 478 | 46 635 |
| | | | | | | | | 49 886 |
| | | | | | | | | 51 358 |
| | | | | | | | | ■ 828 |

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Estimation of Fair Values

The fair value of financial instruments (for example, trading & available for sale securities, or over-the counter derivatives) is based on quoted market prices at the balance sheet date, or determined by using valuation techniques.

The City uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the other financial instruments.

To determine the fair values of floating rate instruments, the City uses market forward rates to estimate future interest and capital cash flows, and then ~~uses~~ its credit curve to calculate present values.

Fair Value Hierarchy

In terms of GRAP 104, paragraph .118 ~~and~~ .119 there are different levels of fair values based on the extent that quoted prices are used in the calculation of the fair value. The fair value hierarchy applies to instruments reported at fair value on the statement of financial position.

Level 1: Fair value are based on quoted prices (unadjusted) in an active market for identical financial instruments.

Level 2: Fair values are calculated using valuation techniques based on observable inputs either directly or indirectly other than level 1 inputs. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments ~~in~~ markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: This category uses inputs for the asset or the liability that are not based on observable market data (unobservable inputs).

Credit/Counterparty Risk

The City invest surplus funds with financial institutions for yield enhancement purposes. The credit limit exposure table below depicts ~~the~~ investments with various counterparties as at 30 June 2020.

| COUNTERPARTY CLASS | Approved Limit | Operational | | Ring-fenced | | Total Exposure | Available for use | Percentage Utilised |
|---------------------|------------------|----------------|----------------|---------------|----------------|----------------|------------------------------|---------------------|
| | | Call Deposits | Fixed Deposits | Call Deposits | Term Deposits | | | |
| Domestic Banks | 7 237 500 | 687 000 | - | 74 000 | 197 000 | 958 000 | 6 279 000 | 13 % |
| International Banks | 1 050 000 | ■ 000 | - | - | - | 3 000 | 1 047 000 | - % |
| | 8 287 500 | 690 000 | - | 74 000 | 197 000 | 961 000 | 7 326 000 | 13 % |

Portfolio

Introduction and overview

The City has established a sinking fund to redeem its long term borrowings including listed bonds and other bilateral loans. The City is currently in the process of appointing ~~a~~ new fund manager to manage portfolio on behalf of the City.

The fund has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

City of Johannesburg Metropolitan Municipality

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Risk Management Framework

Credit Risk

Credit Risk is the risk that counterparty in a financial instrument will fail to discharge an obligation or commitment that it has entered into with the fund, resulting in a financial loss to the fund.

As at 30 June 2020, the fund's investments were in the following instruments:

| Assets | Fair Value R'000 |
|------------------|-----------------------------|
| Government bonds | 1 209 000 |
| Swaps | 373 000 |
| Amort Swaps | 26 000 |
| Cash | 1 549 000 |
| | - |
| | - |
| | - |
| | - |
| | - |
| | - |

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. There is also a risk that the fund will not deliver upon its mandate.

The fund's liquidity risk is managed on a daily basis by the fund manager. The fund's overall liquidity is reported in the risk committee report on a quarterly basis.

Maturity analysis for financial instruments

The following are the contractual maturities of financial assets and liabilities, including estimated interest payments:

| Class | Trade NPV (Today) | Due in less than a year | Due in one to two years | Due in two to three years | Due in three to four years | Due in four to five years | Due in more than five years |
|---------------------|------------------------------|------------------------------------|------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|--|
| Settled Bond Assets | 1 209 000 | 93 000 | - | 738 000 | - | 67 000 | 312 000 |
| Swap Assets | 399 000 | - | - | - | - | - | - |
| Cash Assets | 1 549 000 | 1 549 000 | - | - | - | - | - |
| | 3 157 000 | 1 642 000 | - | 738 000 | - | 466 000 | 312 000 |

Market Risk

The fund's market risk is managed on a daily basis.

Interest rate risk sensitivity analysis

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The Fund is exposed to the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates.

The sensitivity analysis reflects how changes in underlying interest rates affect the fair value of the financial instruments.

Fair Value Sensitivity Analysis

| Asset Class | Fair Value Sensitivity to the interest rate movement/shift | | | | | | |
|-------------|--|------------------|------------------|------------------|------------------|------------------|------------------|
| | R'000s -1% | R'000s -0.5% | R'000s 0 | R'000s 0.5% | R'000s 1% | R'000s 1.5% | R'000s 2% |
| Bonds | 1 278 000 | 1 253 000 | 1 209 000 | 1 206 000 | 1 184 000 | 1 162 000 | 1 142 000 |
| IRS | 399 000 | 399 000 | 399 000 | 399 | 399 000 | 399 000 | 399 000 |
| Cash | 1 549 000 | 1 549 000 | 1 549 000 | 1 549 000 | 1 549 000 | 1 549 000 | 1 549 000 |
| Net | 3 226 000 | 3 201 000 | 3 157 000 | 3 154 000 | 3 132 000 | 3 110 000 | 3 090 000 |

Operational risk

Operational risk is the risk of loss arising from failures in processes, technology and infrastructure supporting the fund's activities.

Mechanisms to mitigate operational risk include the following:

- appropriate segregation duties between various functions, roles and responsibilities;
- reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
- contingency plans;
- ethical and business standards;
- risk management

Valuation of financial instruments

The Fund measures fair values using the following fair value hierarchy:

- Level 1: Fair values of financial assets and financial liabilities are traded in active markets ■■■ based on quoted prices or dealer prices.
- Level 2: The fund uses widely recognised valuation models for determining the fair value of common and simpler financial instruments, or estimation. Observable prices and model inputs are usually available in the market for listed debt, exchange like interest swaps like use only observable market data and require little management judgement and/traded derivatives exchange and simple over the counter derivatives like interest rate swaps.

The table below analyses financial instruments measured at fair value ■■■ at 30 June 2020

| ■■■ June 2020 | Level 1 | Level 2 | Level 3 | Total |
|--|------------------|----------------|---------|------------------|
| Financial assets at fair value through profit or loss | | | | |
| Bonds | 1 209 000 | - | - | 1 209 000 |
| Interest Rate Swaps | - | 399 000 | - | 399 000 |
| Current Account | 1 549 000 | - | - | 1 549 000 |
| | 2 758 000 | 399 000 | - | 3 157 000 |

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47. FRUITLESS AND WASTEFUL EXPENDITURE

| | 428 543 | 240 421 | 114 758 | 14 407 |
|--|----------------|----------------|----------------|----------------|
| Opening balance as previously reported | 428 543 | 240 421 | 114 758 | 14 407 |
| Opening balance as restated | 428 543 | 240 421 | 114 758 | 14 407 |
| Fruitless and wasteful expenditure current year | 52 159 | 184 602 | 8 256 | 102 570 |
| Prior year Fruitless and wasteful expenditure identified in the current year | - | 11 088 | - | - |
| Transfer to receivable for recovery | (2 183) | (33) | (2 183) | - |
| Written-off | (21 297) | (2 718) | (3 553) | (2 219) |
| Reversals | (29) | (4 817) | - | - |
| Closing balance | 457 ■■■ | 428 ■■■ | 118 278 | 114 758 |

The fruitless and wasteful expenditure disclosed in the opening balance is currently under investigation. Pending the results of the investigation this figure might be condoned or recovered in the next financial year.

Written-off

- The fruitless and wasteful expenditure written off is based on Council approval after a committee investigated and concluded to certify expenditure of R21 297 000 as irrecoverable.

Transfer to receivable for recovery

- The fruitless and wasteful expenditure that was transferred to receivable for recovery relates to the Council resolution of meeting held 27 October 2020 where it was resolved that R 183 110 in fruitless and wasteful expenditure be immediately recovered by the City from the responsible officials.

Reversals

- Service providers at JCPZ (R14 000) and MTC (R15 000) reversed interest charged in the current year that was previously classified as fruitless and wasteful expenditure.

Fruitless and wasteful expenditure current ■■■

The following are the incidents that caused the Fruitless and wasteful expenditure identified in the 2020 financial year:

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| Description of the incident | Entity/Department | Amount (R'000) |
|---|-----------------------|-------------------|
| Interest charged on overdue accounts | Transport | 2 |
| Interest charged on overdue accounts | Community Development | 3 |
| Interest charged on overdue accounts | Social Development | 2 |
| Interest charged on overdue accounts | Group Finance | 7 |
| Interest charged on overdue accounts | Housing | 57 |
| Interest charged on overdue accounts | Public Safety - EMS | 3 |
| SARS interest and penalties | GCSS | ■ 183 |
| Cleaning materials were procured from the service provider which did not meet the required SABS, ISO standards and therefore could not be utilised within the Joburg Market premises. | JFPM | 14 |
| Interest charged on overdue accounts | JRA | 4 |
| Requisition of items at amount more than the market value | JRA | 154 |
| Interest payable to SARS | POWER | 14 886 |
| Interest on late payments | POWER | 600 |
| Fraudulent salary payment | WATER | 90 |
| Interest on overdue accounts | PARKS | 26 |
| Charges for damage on hired vehicle | PARKS | 23 |
| Newly leased office accommodation not fully utilised | JPC | 24 362 |
| SARS interest and penalties for PAYE and other payroll items | JPC | ■ 688 |
| Disputes with creditors over contracts and invoices resulted in interest being levied on overdue accounts | JPC | 1 |
| Interest on overdue accounts | MTC | 16 |
| Advertising costs on cancelled tenders | JOSHCO | 38 |
| | | 52 159 |

City of Johannesburg Metropolitan Municipality

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Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|---|----------------|------------------|------------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| 48. UNAUTHORISED EXPENDITURE | | | | |
| Reconciliation of unauthorised expenditure | | | | |
| Opening balance | 4 389 636 | 4 556 831 | 4 226 334 | 4 406 768 |
| Unauthorised expenditure current year | 448 185 | 493 867 | 59 468 | 480 628 |
| Written off by council | (1 434 172) | (661 062) | (1 434 172) | (661 062) |
| | 403 ■■■ | 4 389 ■■■ | 2 851 630 | 226 334 |

Unauthorised expenditure incurred in 2020 financial year relates to the following:

| <u>Name of Vote</u> | <u>Amount</u> |
|---------------------|----------------|
| CJMM | 59 486 |
| Joburg Water | 350 401 |
| JDA | 14 039 |
| JOSHCO | 24 260 |
| TOTAL | 448 186 |

Over expenditure on the operating budget for 2019/20 mainly results from non-cash items such as debt impairment, depreciation and interest on overdraft bank accounts.

Write-off approval

On 30 October 2020, Council resolved to certify as irrecoverable and write off unauthorised expenditure of R1 434 172 000.

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Figures in Rand thousand

49. ADDITIONAL DISCLOSURE ■ TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Contributions to organised local government

Opening balance

| | | | |
|--|--|--|--|
| | | | |
|--|--|--|--|

Skills development levy

Opening balance

| | | | |
|-------|-------|-----|-------|
| 6 705 | 4 616 | 604 | 4 567 |
|-------|-------|-----|-------|

Current year subscription / fee

| | | | |
|---------|--------|--------|--------|
| 120 720 | 90 325 | 74 718 | 64 849 |
|---------|--------|--------|--------|

Amount paid - current year

| | | | |
|-----------|----------|----------|----------|
| (106 970) | (83 620) | (61 397) | (59 245) |
|-----------|----------|----------|----------|

Amount paid - previous years

| | | | |
|---------|---------|---------|---------|
| (6 841) | (4 616) | (5 604) | (4 567) |
|---------|---------|---------|---------|

| | | | |
|---------------|--------------|---------------|--------------|
| 13 614 | ■ 721 | 13 221 | 5 604 |
|---------------|--------------|---------------|--------------|

Audit fees

Opening balance

| | | | |
|-------|-------|-------|-------|
| (254) | 1 406 | 1 079 | 1 349 |
|-------|-------|-------|-------|

Current year audit fee

| | | | |
|--------|--------|--------|--------|
| 65 726 | 63 620 | 26 311 | 25 461 |
|--------|--------|--------|--------|

Amount paid - current year

| | | | |
|----------|----------|----------|----------|
| (65 472) | (63 874) | (27 390) | (25 731) |
|----------|----------|----------|----------|

Amount paid - previous years

| | | | |
|---|---------|---|---|
| - | (1 406) | - | - |
|---|---------|---|---|

| | | | |
|----------|--------------|----------|--------------|
| - | (254) | - | 1 079 |
|----------|--------------|----------|--------------|

PAYE and UIF

Opening balance

| | | | |
|---------|---------|---------|--------|
| 134 993 | 106 343 | 111 ■■■ | 84 039 |
|---------|---------|---------|--------|

Current year payroll deductions

| | | | |
|-----------|-----------|-----------|-----------|
| 2 280 868 | 1 486 531 | 1 420 953 | 1 262 734 |
|-----------|-----------|-----------|-----------|

Amount paid - current year

| | | | |
|-------------|-------------|-------------|-------------|
| (2 156 816) | (1 351 538) | (1 320 212) | (1 150 801) |
|-------------|-------------|-------------|-------------|

Amount paid - previous years

| | | | |
|-----------|-----------|-----------|----------|
| (134 146) | (106 343) | (111 933) | (84 039) |
|-----------|-----------|-----------|----------|

| | | | |
|----------------|----------------|----------------|----------------|
| 124 ■■■ | 134 ■■■ | 100 741 | 111 ■■■ |
|----------------|----------------|----------------|----------------|

Pension and Medical Aid Deductions

Opening balance

| | | | |
|---------|---------|---------|---------|
| 208 781 | 230 918 | 150 475 | 132 247 |
|---------|---------|---------|---------|

Current year payroll deductions and Council contributions

| | | | |
|----------|-----------|-----------|-----------|
| ■ ■■ 877 | ■ 267 312 | 2 055 467 | 1 779 484 |
|----------|-----------|-----------|-----------|

Amount paid - current year

| | | | |
|-------------|-------------|-------------|-------------|
| (2 882 411) | (2 058 531) | (1 874 155) | (1 629 008) |
|-------------|-------------|-------------|-------------|

Amount paid - previous years

| | | | |
|-----------|-----------|-----------|-----------|
| (151 899) | (230 918) | (150 475) | (132 248) |
|-----------|-----------|-----------|-----------|

| | | | |
|----------------|----------------|----------------|----------------|
| 255 ■■■ | 208 781 | 181 312 | 150 ■■■ |
|----------------|----------------|----------------|----------------|

VAT

VAT receivable

| | | | |
|---------|---------|---------|---------|
| 413 609 | 449 845 | 123 613 | 213 169 |
|---------|---------|---------|---------|

VAT payable

| | | | |
|----------|----------|---|---|
| (48 064) | (61 430) | - | - |
|----------|----------|---|---|

| | | | |
|----------------|----------------|----------------|----------------|
| 365 545 | 388 415 | 123 613 | 213 169 |
|----------------|----------------|----------------|----------------|

VAT output payables and VAT input receivables are shown in note 9.

All VAT returns have been submitted by the due date throughout the year.

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Figures in Rand thousand

Councillors' consumer accounts

The following Councillors had accounts outstanding for more than days at 30 June 2020. All amounts are disclosed in Rands and are not rounded to the nearest thousand.

| 30 June 2020 | Outstanding less than 90 days Rands | Outstanding more than 90 days Rands | Total R |
|----------------------|--|--|------------|
| Chritians PV & A | 12 391 | 10 | 12 401 |
| Dewes DS | 29 588 | 39 101 | 68 087 |
| Echeozonjoku BC & UI | 11 124 | 166 271 | 177 395 |
| Hlomendlini IN | 1 299 | 278 | 1 577 |
| Homer RL & C | 10 675 | 124 | 10 799 |
| Mnisi | 2 733 | 33 596 | 36 329 |
| Molete B | - | 312 773 | 312 773 |
| Ngwenya ML | 5 386 | 19 453 | 24 839 |
| Ngwenya ML | 22 672 | 101 834 | 124 506 |
| Thale MZ | 1 358 | 204 | 1 590 |
| | 97 652 | 673 511 | 771 296 |

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Figures in Rand thousand

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2019. All amounts are disclosed in Rands and are not rounded to the nearest thousand.

| 30 June 2019 | Outstanding less than 90 days (Rands) | Outstanding more than 90 days (Rands) | Total R |
|---------------|---------------------------------------|---------------------------------------|----------------|
| Lekgetho JK | 2 200 | 6 749 | 8 949 |
| McBason | 1 364 | 813 | 2 177 |
| Netnow DM | 22 676 | 180 843 | 203 519 |
| Ngalonkulu MJ | 12 457 | 58 594 | 71 051 |
| Tsotetsi EM | 2 615 | 2 081 | 4 696 |
| | 41 312 | 249 080 | 290 392 |

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50. AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE

During the year under review the municipality gave the following award to a person who is a spouse, child or parent of a person in the service of the state or has been in the service of the state for the previous twelve months

| Name of the person (Service of the State) | Name of the person (entity receiving award)" | Capacity in which that person is in the service of the state | Amount in Rands |
|--|--|--|-----------------------|
| Moleboge Motsoetla | (RebaHloniPhi Pty Ltd), Oupa Ephraim Motsoetla | Permanent employee- Health Department | 192 798 |
| Clive September | GIBB (Pty) Ltd | Daughter employed by Health Infrastructure PWGWCas in State Accountant and another Daughter employed by the City of Cape town as a Project Administrator | 656 263 |
| Nokuthula Sedumedi | Delta Built Environment | Wife is employed by DBSA and Sister is employed by SAA | 1 839 600 |
| Lumko Sidwell Mhlauli | Lukhozi Consulting Engineers | Wife employed by Office of the Premier | 1 738 231 |
| CAJ van Coillie | CSM Consulting Services | Son is employed by Western Cape Provincial Government Department of Environmental Affairs and Development Planning | 2 053 480 |
| CAJ van Coillie | CSM Consulting | Son, Andre van Collie, is employed by Western Cape Provincial Government Department of Environmental Affairs and Development Planning | 2 885 000 |
| CAJ van Coillie | CSM Consulting | Son, Andre van Collie, is employed by Western Cape Provincial Government Department of Environmental Affairs and Development Planning | 2 860 000 |

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Notes to the Group Annual Financial Statements

51. IRREGULAR EXPENDITURE

| | 7 159 791 | 5 000 464 | 3 509 209 | 2 724 270 |
|---|------------------|------------------|------------------|------------------|
| Opening balance | 7 159 791 | 5 000 464 | 3 509 209 | 2 724 270 |
| Opening balance as restated | 7 159 791 | 5 000 464 | 3 509 209 | 2 724 270 |
| Add: Irregular Expenditure - current | 2 630 287 | 2 131 507 | 765 226 | 816 230 |
| Add: Irregular Expenditure - prior period | 28 366 | 285 | - | - |
| Less: Amount written off - current | (1 331 521) | (221 465) | (66 279) | (31 300) |
| Closing balance | 5 486 923 | 7 159 791 | 4 208 156 | 3 509 209 |

Group 2020

| Description of the incident | Entity | Amount in R'000 |
|---|--------|-----------------|
| Expenditure in respect of prior year contract identified as irregular | CJMM | 728 994 |
| Contracts identified as irregular in the current year | CJMM | 36 232 |
| Appointment of a supplier who did not meet mandatory requirements | POWER | 18 076 |
| Irregular expenditure not disclosed (2180 GS) | POWER | 2 181 |
| Appointment of a supplier who did not meet mandatory requirements | POWER | 2 162 |
| Extension of current contract | POWER | 1 955 |
| Extension of current contract | POWER | 645 |
| Extension of current contract | POWER | 5 236 |
| False declaration | POWER | 1 411 |
| Work without contracts | POWER | 15 152 |
| Supply and repair of ICT Hardware & Accessories | POWER | 3 371 |
| Removal of illegal metres and audits | POWER | 7 117 |
| Maintenance of DC Systems | POWER | 526 |
| Supply and installation of fibre | POWER | 2 499 |
| Extension of contract periods done after expiry date | POWER | 2 583 |
| Turnkey solutions for Electrification Projects | POWER | 55 890 |
| Third party vending | POWER | 8 515 |
| Labour contracts declared null and void by court | POWER | 845 162 |
| Fleet contract extended by CoJ | POWER | 96 492 |
| Subcontractor used to finalise disciplinary case | POWER | 193 |
| Strategic partner used to finalise disciplinary case | POWER | 84 |
| Security contract extension | POWER | 60 639 |
| Covid -19 emergency procurement | POWER | 2 527 |
| The entity did not meet the CIDB conditions relating to an award to a contractor with a 6CEPE grading | WATER | 18 265 |
| Vuk'uphile programme was developed to build the capacity amongst emerging contractors to execute increasing amount of labour-intensive work. Learner contractors in the programme received training required as part of the EPWP Guidelines so that when they exit the programme they are fully qualified to tender for and execute labour intensive projects. An independent investigation, performed by an external forensic investigating firm was conducted in 3 phases. The last phase concluded during the 2018-19 financial year and found that the programme did not follow the correct recruitment processes for the 65 learner contractors, and a lack of documentary evidence to substantiate the appointment of these learner contractors. The investigation further revealed evidence of bribery, corruption and extortion committed by Johannesburg Water officials. These officials have since resigned from the entity. A criminal case has been instituted against these officials. (SAPS Case number 442/02/2018). The case has been escalated to the NPA who will make a decision on whether to prosecute or not. Investigations with regards to the remaining internal employees alleged to have failed to follow company guidelines for the programme were finalised and one disciplinary case is currently in progress. | WATER | 56 929 |

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|---|-------|--------|
| The entity did not correctly apply Regulation 9 of the PPPFA, which stipulates that in contracts with a value of R30 million and more, a minimum of 30% must be stipulated during the tender phase for subcontracting. The value of this contract is more than R30 million but the entity specified a lesser percentage available for subcontracting. The reasons for this decision have been discussed with AGSA, however the opinion of AGSA is that the regulation has been applied incorrectly and thus leads to irregular expenditure. This was a two-year contract. | WATER | 8 818 |
| The procurement processes were not followed as the winning bidders were allocated points for the criteria that they did not achieve. If the points were not awarded, the bidders would not have achieved the minimum score on functionality to proceed for further valuation | WATER | 1 138 |
| The qualifications for the contracts manager and site agent were not the required ones as stated. Therefore, the service provider should have not been awarded points for contracts manager and site agent. The service provider would have not met the minimum qualifying score of 70 that was required to pass functionality and therefore they would have not been evaluated for price. The service provider should have not appointed. | WATER | 12 350 |
| The allocated points for the criteria that they did not achieve. If the points were not awarded, the bidder would not have achieved the minimum score on functionality to proceed for further evaluation. Further to this, the procurement processes were not followed as winning bidders had an amount for the municipal rates, taxes and service charges that was outstanding for more than three months. If this was considered that the bidder should have been rejected. | WATER | 39 |
| The COJ procured fleet services using regulation 32 of the Municipal Supply Chain regulations. It was found during the audit that the terms and conditions of the contract that the COJ entered into with the supplier differed materially from the original contract entered into by the other organ of state. | WATER | 54 054 |
| The motivation for deviation was that the procurement process was considered to be an exceptional case where it is impractical or impossible to follow the official procurement process. The following reasons for the motivation were provided by JW: <ul style="list-style-type: none"> ▪ Increase in the number of water prepaid vending units being deployed within the city ▪ Over the last 3 to 5 years, the number of applications that need to be accessed via the internet has increased. ▪ There is a plan to start moving business applications into cloud ▪ The increase in bandwidth will increase the performance for users accessing JW application and systems over the GSM network. ▪ Natural Growth in demand ▪ New email services will elevate email security to include scanning of internet links, macros in attachment and impersonation. ▪ Email continuity is a service that allows JW employees to have full access to their email in the event the mail server is unavailable for a long period due to planned or unplanned outages. <p>Although this is the current service provider that provides internet services to JW, they are not the only service provider that can provide internet services. The justification for the deviation the current service provider limits competition and does not allow other service providers an opportunity to render services to JW. This is also indicative of the service provider receiving preferential treatment by JW.</p> | WATER | 2 334 |
| Johannesburg Water had a number of deviations with the service provider where the service provider had a non-tax compliant status and outstanding documentation, however they were still appointed | WATER | 34 |
| Quotations were found to consist of items of a similar nature which could have been combined and treated as a single transaction. | WATER | 1 616 |
| Quotations were found to consist of items of a similar nature which could have been combined and treated as a single transaction. | WATER | 3 612 |

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| | | |
|--|-------|---------|
| The reasons provided in the motivation for the deviations to procure the hire of mechanical plant were informed by inefficiencies and lack of capacity within the Entity and not due to it being impractical or impossible to follow an open tender process. Based on the reasons provided for the deviations, it was not justified and do not comply with paragraph 36(1) (iv) of the Municipal Supply Chain regulations. | WATER | 34 573 |
| The reasons provided in the motivation for the deviations to procure the hire of mechanical plant were informed by inefficiencies and lack of capacity within the Entity and not due to it being impractical or impossible to follow an open tender process. Based on the reasons provided for the deviations, it was not justified and do not comply with paragraph 36(1) (iv) of the Municipal Supply Chain regulations. | WATER | 21 414 |
| Johannesburg Water had a number of deviations with the service provider where the service provider had a non-tax compliant status as well as COIDA non-compliant, however they were still appointed | WATER | 1 071 |
| The supplier was one of the bidders that were evaluated on functionality and disqualified in a tender, however continued to be appointed through a deviation process | WATER | 3 519 |
| The supplier was appointed through a deviation process for the transportation and delivery of potable water for a period of thirty-one (31) months from 1 September 2016 to 31 March 2019. The motivation for deviation was that the procurement process was considered to be an exceptional case where it is impractical or impossible to follow the official procurement process. Lack of poor planning is not a justifiable reason for a deviation process to be embarked on. | WATER | 992 |
| Transactions were identified during the year whereby SCM processes were not followed | MTC | 1 452 |
| Over expenditure on contract | JRA | 38 981 |
| Non - compliance with regulation 32 of the MFMA. | JRA | 167 457 |
| Gym Tech (expenditure was not disclosed in the prior year) | JFPM | 6 |
| Integral Networking (expenditure was not disclosed in the prior year) | JFPM | 20 |
| Interview and magazine profiling for previous CEO were rendered without prior authorisation | JFPM | 38 |
| The contract had to be extended after it had expired as there was an intention to centralise printing and photocopying services by COJ, hence Joburg Market could not go out to tender | JFPM | 819 |
| Tax matters of the entity not resolved with SARS | JFPM | 539 |
| Tax matters of the entity not resolved with SARS | JFPM | 4 532 |
| The service provider performed repairs and maintenance work after their contract with Joburg Market had expired | JFPM | 356 |
| The contractor provided ad-hoc services (Sky Jack), which did not form part of contract with Joburg Market. | JFPM | 59 |
| The contract expired and the tendering process was put on hold due to in-sourcing of security by the City of Johannesburg | JFPM | 13 835 |
| The contract expired, however, there was a need to use the vehicles. The extension of the contract was done by COJ, which allowed the entities to rent Avis cars for transportation purposes. National Treasury deemed the contract to be irregular. | JFPM | 1 390 |
| The contract was extended whilst the entity awaits the organisational decision of Metro Trading Company | JFPM | 7 437 |
| Covid-19 PPE were procured from service provider after authorised budget was depleted | JFPM | 15 |
| Cleaning consumables purchased from supplier without following supply chain processes | JFPM | 74 |
| The entity had entered into the contract via section 32, however this contract was declared irregular by the Auditor General at the originating entity/organisation | JFPM | 564 |
| Goods purchased from supplier without following supply chain processes | JFPM | 8 |
| Diesel purchases from a service provider that is not compliant | JFPM | 154 |

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Notes to the Group Annual Financial Statements

| | | |
|---|----------|-----------|
| Purchased medicines which was not in the service providers initial awarded contract | JFPM | 20 |
| The service provider ■■■ awarded a contract for over R1m whilst they were ■■■ a registered VAT vendor (as per the VAT Act, you must ■■■ registered for VAT as soon as you foresee that your revenue will exceed R1m). | JFPM | ■ 076 |
| Tax matters of the entity not resolved with SARS | JFPM | 12 |
| Goods purchased from supplier without following supply chain processes. | JFPM | 129 |
| Supplier was appointed to supply goods even though they were not thecheapest when compared to other suppliers who submitted quotes | JFPM | 26 |
| COJ Irregular Expenditure: Competitive bidding process not followed for transaction above R200 000 | Metrobus | 1 164 |
| Competitive bidding process not followed for transaction above R200 000 | Metrobus | 20 874 |
| COJ Irregular Expenditure: Non-compliance with regulation 32 | Metrobus | 790 |
| Non-compliance with MFMA Regulation 29 (2) | Metrobus | 1 632 |
| Contract amount exceeded - No procurement process followed (Timing/Value) | Metrobus | 3 768 |
| In the service of the state | Metrobus | 138 |
| Fleet contracts entered into by the City of Johannesburg without following a competitive bidding process | JCPZ | 54 627 |
| Amounts made without following a competitive bidding process - spending beyond original quoted amount | JCPZ | 150 |
| Landfill fleet | PIKITUP | 64 354 |
| Fleet costs | PIKITUP | 96 690 |
| Public protector report | PIKITUP | 14 636 |
| IT Services | PIKITUP | 6 623 |
| Security contract | PIKITUP | 13 672 |
| Avis Fleet Services. The contract has been declared irregular at Group level due to non-Compliance with section 116 of the MFMA. The entity incurred expenditure on this contract and is therefore required to disclose irregular expenditure. | THEATRE | 211 |
| Extension of contracts beyond 15% threshold | JOSHCO | 7 870 |
| JPC incurred R11 436 050 for fleet services. Fleet services are an essential requirement for the operations of JPC and could not be discontinued under the existing contract that was entered into by the COJ | JPC | 11 436 |
| The JPC issued ■ tender for ■ panel of professionals under POP 03/2018. The tender was issued to the public through a competitive bidding process. The JPC Bid Adjudication Committee awarded the tender after having followed due process. The Auditor General declared the panel irregular stating that the Bid Evaluation Committee members were not fair in allocating their scores. The JPC ■■■ since withdrawn the panel under POP 03/2018 and bidders were informed of the withdrawal. | JPC | 2 309 |
| | | 2 658 653 |

Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 1 331 521 000 (2019: R221 465 000) from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

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32. IN-KIND DONATIONS AND ASSISTANCE

The following in-kind donations were received by the Mayor's office during the year up to 30 June 2020

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| Name of individual/entity | Description of in-kind donation received | Estimated value (in Rands) |
|--|--|---|
| Rotary Club Johannesburg Willie Slabber and Paul Richardson | Wooden Picture Frame Haig Dimple Deluxe Scotch Whiskey in Ceramic Decanter | 170 1 500 |
| De Wetshof Retirement Village Johannesburg Property Company | George Lee Networkin CD Leather Binder Notebook Branded Pencil Bag Branded Pencil Bag Flash Disk Forbes Magazine Branded Umbrella Leather Money and Card Holder | 154 120 90 30 80 50 100 125 |
| Joburg Market | Mens Breathable Padded Cycling Shorts Mens Cycling Bike Jersey Short Sleeve with 3 Rear Pockets | 1 000 800 |
| Discovery | Navy Discovery Nylon Sport Tog Bag Drawstring Sport Backpack 600ml Glass Bottle with Navy Blue Sleeve Sports Towel with Corner Zipper Pocket Branded Socks Branded Cap Glenlivet 15 Year Old French Oak Reserve Single Malt Scotch Whisky | 200 50 70 140 60 130 900 |
| Craig and Fatima Newman | B Inspired Devotions Book Pocket Square and Lapel Flower Box of Fudge Backsberg Sparkling Brut 2017 MCC Life Luxury ■ Style Magazine Wine Opener and Stopper 22 Years of Standard Bank Joy of Jazz CD Softshell Jacket Cap Rosewood Branded Pen and Letter Opener Set | 200 95 230 160 70 190 79 550 150 570 |
| Boitumelo Tuma Mputle | Two 1 x 0.8m Photograph Frames | ■ 000 |
| Dennis Maboneng Street Market | Framed Jozi Stars Team Shirt | 2 000 |
| Mahant Swami Maharaj | Jozi Stars Cotton T-shirt | 90 |
| Standard Bank Joy of Jazz Golf Day | Branded Jozi Stars Cap | 160 |
| M. Africa | Branded Drawstring Bag | 40 |
| Standard Bank Joy of Jazz | Branded Mini Cricket Bat | 119 |
| Kyalami Grand Prix Circuit | Nederburg ■ Red Wine, Ferrero Rocher, Lindt Lindor Mint Chocolate | 350 |
| Georgina - Group Communications | Cuvee Billionnaires Row Champagne: Charles Mignon | - |
| Mr Jono Leaf-Wright | 6 X 450 ml Lara Wine Glasses 50 Years of Passion and Innovation Journal: and Deloitte Newsletters Journal: It always Impossible Until its done R200Book: Betting ■ ■ Darkie – Lifting the Corporate Game R150Customised Wooden Plaque | - - 150 350 |
| Ms. Anju Ranjan | ■ X Boxes of Chop Sticks, Book: Up and Out of Poverty By President Xi Jinping, BOOK: Governance of China 2 By His Excellency the President of Peoples Republic of China XI Jinping, 1 X Red Chinese Plate, 1X Box Chinese Tea | 1 000 |
| CNBC Africa | Crafted Crystal Glass material | 150 |
| SGV Attorneys | Huawei PRO30 | 7 000 |
| Madoda Dlamini | | |
| Nazeer Essop & George Tshesane | | |
| Ms. Simphiwe Zuma | | |
| Mcdonald Mathabe | | |
| Sweden Embassy Elsa Wang | | |

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In addition to the above, there were COVID-19 related donations that were received. Please refer to the Impact of COVID-19 note for the detail.

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53. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 22 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer which includes a note to the Group Annual Financial Statements.

In terms of Section 36 (2) of the supply chain management regulation.

Details of Deviations

| | GROUP | | CJMM | |
|---|------------------|------------------|--------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Figures in Rand thousand | | | | |
| Emergency - Reg (1)(a)(i) | 357 024 | 720 055 | 125 204 | 645 474 |
| Sole supplier - Reg (1)(a)(ii) | 107 381 | 225 678 | 79 229 | 3 313 |
| Special work of art - Reg (1)(a)(iii) | ■ 918 | 28 879 | - | - |
| Aquisition of animals - Reg (1)(a)(iv) | 740 | 2 ■ 5 | - | - |
| Impracticability - Reg (1)(a)(v) | 1 033 248 | 1 969 730 | ■ 499 | 1 419 437 |
| Ratification of minor breaches - Reg (1)(b) | 16 972 | 21 615 | 1 049 | 6 575 |
| Other contracts extensions | 192 587 | 177 473 | - | - |
| | 1 734 870 | 3 145 715 | 730 ■ | 2 074 799 |

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand

54. RELATED PARTIES

Relationships

| | |
|-----------------------------|---|
| Ultimate controlling entity | City of Johannesburg Metropolitan Municipality 18 |
| Municipal owned entities | Johannesburg City Parks 19 |
| | Johannesburg Metropolitan Bus Services (Pty) Ltd |
| | Johannesburg Social Housing Company (Pty) Ltd |
| | City Power Johannesburg (Pty) Ltd |
| | Johannesburg Development Agency (Pty) Ltd |
| | Johannesburg Roads Agency (Pty) Ltd |
| | Johannesburg Water (Pty) Ltd |
| | The Johannesburg Civic Theatre (Pty) Ltd |
| | The Johannesburg Fresh Produce Market (Pty) Ltd |
| | Pikitup Johannesburg (Pty) Ltd |
| | City of Johannesburg Property Company (Pty) Ltd |
| | Metropolitan Trading Company (Pty) Ltd |

Related party balances

Amounts Included in Loans,

Trade and other receivables with related parties

| | | |
|--|-------------------|-------------------|
| City Power Johannesburg (Pty) Ltd | 8 060 536 | 7 068 ■■■ |
| City of Johannesburg Property Company (Pty) Ltd | 427 874 | 365 855 |
| Johannesburg City Parks | 120 890 | 51 161 |
| Johannesburg Development Agency (Pty) Ltd | 365 185 | 468 982 |
| Johannesburg Metropolitan Bus Services (Pty) Ltd | 767 307 | ■■■ 326 |
| Johannesburg Roads Agency (Pty) Ltd | 176 433 | 105 362 |
| Johannesburg Social Housing Company (Pty) Ltd | 467 098 | 318 228 |
| Johannesburg Water (Pty) Ltd | 4 195 608 | 4 350 388 |
| Metropolitan Trading Company (Pty) Ltd | ■ 272 578 | ■ 853 ■■■ |
| Pikitup Johannesburg (Pty) Ltd | 1 223 764 | 1 013 662 |
| The Johannesburg Civic Theatre (Pty) Ltd | 9 396 | 806 |
| The Johannesburg Fresh Produce Market (Pty) Ltd | 93 767 | 52 139 |
| | 18 180 436 | 16 483 287 |

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand

54. RELATED PARTIES (continued)

Amounts included in Loans,

Trade and other payables with related parties

| | | |
|--|-----------|-------------|
| City Power Johannesburg (Pty) Ltd | 912 026 | 1 321 051 |
| City of Johannesburg Property Company (Pty) ■■■ | 593 023 | 402 122 |
| Johannesburg City Parks | 804 980 | 745 293 |
| Johannesburg Development Agency (Pty) Ltd | 493 101 | 744 594 |
| Johannesburg Metropolitan Bus Services (Pty) Ltd | 31 ■■■ | 42 936 |
| Johannesburg Roads Agency (Pty) Ltd | 1 195 140 | 1 141 068 |
| Johannesburg Social Housing Company (Pty) Ltd | 274 098 | 212 739 |
| Johannesburg Water (Pty) Ltd | 1 203 305 | 1 154 747 |
| Metropolitan Trading Company (Pty) Ltd | 1 211 806 | 845 ■■■ |
| Pikitup Johannesburg (Pty) Ltd | 1 728 ■■■ | 1 183 586 |
| The Johannesburg Civic Theatre (Pty) Ltd | 5 722 | 2 470 |
| The Johannesburg Fresh Produce Market (Pty) Ltd | 442 916 | 313 658 |
| | ■■■ 719 | ■■■ 110 213 |

Related party transactions

Revenue from related parties

| | | |
|--|-------------|---------------|
| City Power Johannesburg (Pty) ■■■ | 726 705 | 681 170 |
| City of Johannesburg Property Company (Pty) Ltd | 66 963 | 36 218 |
| Johannesburg City Parks | 14 187 | 9 967 |
| Johannesburg Development Agency (Pty) Ltd | 27 256 | 24 175 |
| Johannesburg Metropolitan Bus Services (Pty) Ltd | 69 813 | 68 295 |
| Johannesburg Roads Agency (Pty) Ltd | ■■■ 395 | 21 528 |
| Johannesburg Social Housing Company (Pty) Ltd | 1 092 | 671 |
| Johannesburg Water (Pty) Ltd | 555 816 | 524 213 |
| Metropolitan Trading Company (Pty) Ltd | 166 667 | 149 002 |
| Pikitup Johannesburg (Pty) Ltd | 95 638 | ■■■ 348 |
| The Johannesburg Civic Theatre (Pty) Ltd | 660 | 998 |
| The Johannesburg Fresh Produce Market (Pty) Ltd | 3 279 | 4 519 |
| | ■■■ 757 471 | ■■■ 1 110 104 |

Operating Expenditure

| | | |
|--|-----------|-----------|
| City Power Johannesburg (Pty) Ltd | 125 ■■■ | 100 997 |
| City of Johannesburg Property Company (Pty) Ltd | 784 728 | 778 771 |
| Johannesburg City Parks | 953 629 | 899 073 |
| Johannesburg Development Agency (Pty) Ltd | 72 072 | 39 006 |
| Johannesburg Metropolitan Bus Services (Pty) Ltd | 638 578 | 547 722 |
| Johannesburg ■■■ Agency (Pty) Ltd | 1 223 454 | 1 152 302 |
| Johannesburg Social Housing Company (Pty) Ltd | 44 159 | 34 ■■■ |
| Johannesburg Water (Pty) Ltd | 491 762 | ■■■ 027 |
| Metropolitan Trading Company (Pty) Ltd | 459 148 | 375 685 |
| Pikitup Johannesburg (Pty) Ltd | 790 247 | ■■■ 354 |
| The Johannesburg Civic Theatre (Pty) Ltd | 153 936 | 142 343 |
| The Johannesburg Fresh Produce Market (Pty) Ltd | 31 322 | 21 299 |
| | 5 768 965 | ■■■ 410 |

Commitments

| | | |
|---------------------------------|-----------|-----------|
| Johannesburg Development Agency | 2 390 079 | 1 325 957 |
| Johannesburg City Parks ■ Zoo | 13 711 | 13 711 |
| Johannesburg Social Housing | 219 380 | - |
| Johannesburg Roads Agency | 1 499 036 | 437 076 |
| | 4 122 300 | 1 776 744 |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended **30 June 2020**

Notes to the Group Annual Financial Statements

Figures in Rand thousand

54. RELATED PARTIES (continued)

55. CHANGE IN ESTIMATE

Property, plant and equipment

The useful lives of certain property, plant and equipment have been reviewed and re-assessed by management during the current reporting period to reflect a more accurate pattern of consumption expected to be derived from these assets. The changes were made prospectively from the beginning of the reporting period. Depreciation is accounted over the remaining useful lives.

The following Municipal entities had changes in their asset's useful lives based on re-assessments performed, and the effect on the current and future periods thereof:

Metrobus

The useful life and residual value adjustment resulted in ■ decrease in depreciation in the current year amounting to R4,236,965

Joburg Water

Computer Equipment have been reassessed. The impact of the change in estimate is ■ decrease in the current year depreciation by R407 000 and a decrease in future years depreciation by R270 000.

Furniture and Fittings have been reassessed. The impact of the change in estimate is a decrease in the current year depreciation by ■ 000 and a decrease in future years depreciation by R3 000.

Laboratory Equipment have been reassessed. The impact of the change in estimate is a decrease in the current year depreciation by R4 000 and a decrease in future years depreciation by R3 000.

Minor Plant have been reassessed. The impact of the change in estimate is a decrease in the current year depreciation by R3 000 and ■ decrease in future years depreciation by ■ 000.

Office Equipment range remains ■ to 18 years as described in the policy; however, the sub classes within the Office Equipment have been reassessed. The impact of the change in estimate is a decrease in the current year depreciation by R1 000 and ■ decrease in future years depreciation by R500.

City Power

The Computer equipment useful life was reassessed and the impact to current year depreciation is ■ decrease of R1 717 000 and an increase in future periods of R171 000.

Plant and machinery was reassessed and the impact to current year depreciation is ■ decrease of R891 000 and an increase in future periods of R891 000.

Furniture and fittings was reassessed and the impact to current year depreciation is ■ decrease of R2 496 000 and ■ increase in future periods of R2 496 00.

Property rates

The change in estimate amount included in revenue are due to change in property values, implementation of appeal board decisions, property subdivisions and consolidations and property categories. The change in estimate for property Rates and Taxes amounted to R 5 925 992 (2019: ■ 121 583)

Traffic fines

The amount relates to traffic fines accounted for ■ invalid in the previous year, this was due to these not being posted to traffic offenders within the prescribed period. These fines ■ subsequently collected by JMPD in the current year. The change in estimates for fines amounted ■ R 20 725 585 (2019: R21 616 569).

City of Johannesburg Metropolitan Municipality

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Figures in Rand thousand

56. EVENTS AFTER THE REPORTING DATE

Unauthorised, Irregular and Fruitless and wasteful expenditure write-off and recovered

On 30 July 2020 and 30 October 2020, Council resolved to certify certain Unauthorised, Irregular and Fruitless and wasteful Expenditure as irrecoverable. In addition, Council resolved to immediately recover fruitless and wasteful expenditure incurred by the City from its officials. These approvals have occurred after 30 June 2020, and the circumstances are in connection to circumstances that were there before or on 30 June 2020. Due to the fact that the approvals were before the financial statements were authorised for issue (i.e. After audit is concluded) these are therefore adjusting events and the 30 June financial statements must be amended to account for the write-offs and recovery of the expenditure.

The total value of these write-offs and recoveries accounted for in the applicable notes is as follows:

| | Amounts approved 30 July 2020 | Amounts approved 30 October 2020 | Total |
|--|-------------------------------------|--|-----------|
| Unauthorised Expenditure (Written off) | - | 1 434 172 | 1 434 172 |
| Irregular Expenditure (Written off) | 858 863 | 753 387 | 1 712 250 |
| Fruitless and wasteful Expenditure (Written off) | 19 443 | 1 949 | 21 392 |
| Fruitless and wasteful expenditure (Recoverable) | - | 2 183 | 2 183 |
| | 970 506 | 2 191 691 | 3 169 997 |

57. CURRENT TAX RECEIVABLES (STATUTORY RECEIVABLE)

These are amounts receivable by the group as a result of transaction attracting Income Tax as legislated under the Income Tax Act of 1962 from the South African Revenue Services.

No impairments against the current tax receivables.

58. VAT PAYABLE

| | | | | |
|----------------------|--------|--------|---|---|
| Tax refunds payables | 48 054 | 61 430 | - | - |
|----------------------|--------|--------|---|---|

59. FINANCE INCOME

| Interest | | | | |
|---|---------|---------|-----------|-----------|
| Bank | 63 324 | 380 405 | 1 450 572 | 1 383 204 |
| Interest charged on trade and other receivables | 244 359 | 315 080 | 57 084 | 53 533 |
| Interest- Other | 45 298 | 56 751 | 58 120 | 51 386 |
| | 352 981 | 752 236 | 1 565 776 | 1 491 123 |

60. FINANCE COSTS

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Borrowings | 2 070 586 | 2 271 992 | 2 531 944 | 2 395 574 |
| Trade and other payables | 31 391 | 20 085 | - | - |
| Interest on post retirement | 89 755 | 118 447 | 109 339 | 116 005 |
| Interest unwinding on rehabilitation of landfill | 48 439 | 41 889 | - | - |
| Interest- Other | 35 319 | 30 623 | 20 431 | 33 065 |
| | 2 235 630 | 2 540 036 | 2 670 714 | 2 544 644 |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

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| Figures in Rand thousand | GROUP | | CJMM | |
|--|-------------------------|-------------------------|--------------------|--------------------|
| | 2020 | 2019 | 2020 | 2019 |
| 61. TAXATION | | | | |
| Major components of the tax income | | | | |
| Current | | | | |
| Local income tax - current period | 67 127 | 74 504 | - | - |
| Deferred | | | | |
| Originating and reversing temporary differences | (84 307) | (97 911) | - | - |
| | (17 180) | (23 407) | - | - |
| Reconciliation of the tax expense | | | | |
| Reconciliation between accounting surplus and tax expense. | | | | |
| Accounting surplus | 4 775 253 | 5 633 113 | 3 249 001 | 4 512 693 |
| Tax at the applicable tax rate of 28% (2019: 28%) | 1 337 071 | 1 857 272 | 909 737 | 1 263 554 |
| Tax effect of adjustments on taxable income | | | | |
| Non-taxable and non-deductible items (Over)/ under provision of prior years | (1 269 800) (84 451) | (1 818 302) (62 377) | (909 737) | (1 263 554) |
| | (17 180) | (23 407) | - | - |
| ■ RENTAL OF FACILITIES AND EQUIPMENT | | | | |
| Facilities and equipment | | | | |
| Rental of facilities | 77 855 | 78 824 | 5 720 | 7 940 |
| Rental of properties | 281 300 | 261 057 | 130 150 | 132 378 |
| | 359 155 | 339 881 | 135 940 | 140 318 |
| 63. AGENCY SERVICES | | | | |
| Commission | | | | |
| Billing and collection | 634 527 59 119 | 676 904 96 842 | 211 700 410 310 | 265 108 431 494 |
| | 693 646 | 773 746 | 622 076 | 696 602 |

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| Figures in Rand thousand | GROUP | | CJMM | |
|--------------------------|-------|------|------|------|
| | 2020 | 2019 | 2020 | 2019 |

The group has an agreement with Webtickets to sell tickets for shows. Through this arrangement Webtickets uses its distribution platform via Pik N Pay. All sales through Pik N Pay are deposited directly to Webtickets who in turn deducts the ticketing fee and pay the amount due to JCT. The table below provides the transactions that relates to the arrangement. The revenue for R 1 million (2019: R2 million)

Joburg Market Fresh Produce

The City is an agent through Joburg Market facilitating the sale of fruits and vegetables. The commission earned is R422 million (2019: R411 million)

Gauteng Department of Roads and Transport

The agreement requires the city to perform all the registering and testing functions on behalf of the department which consist of Motor vehicle registration and licencing, Driving licence test centre functions and Vehicle testing station functions. The City is an Agent to the agreement as they are only entitled to a commission amount and deposit all the net amount received for services rendered to the provincial department. City's failure to deposit amounts collected to the province for a period of two months result in strict requirement of depositing daily to the department. Thus a principal-agent arrangement exists, and CJMM is the agent as per GRAP 109.

Vehicle registration and driver's licensing commission can be broken down as follows:

| | | | | |
|------------------|----------------|----------------|----------------|----------------|
| Licensing | 172 974 | 216 774 | 172 974 | 216 774 |
| Permit fees | 16 521 | 19 234 | 16 521 | 19 234 |
| Certificate fees | 4 674 | 5 814 | 4 674 | 5 814 |
| Testing fees | 16 519 | 21 972 | 16 519 | 21 972 |
| Trade plates | 1 078 | 1 313 | 1 078 | 1 313 |
| | 211 766 | 211 766 | 265 107 | 265 107 |

64. PRINCIPAL AGENT ARRANGEMENT

| | | | | |
|---|---------------|----------------|---------------|---------------|
| Resources held and payable to principals | - | - | - | - |
| Gauteng Department of Roads and Transport | 60 243 | 73 657 | 60 243 | 73 657 |
| Farmers | 35 440 | 42 084 | - | - |
| | 95 683 | 115 741 | 60 243 | 73 657 |

City of Johannesburg as a Principal

South African Post Office Limited

The agreement is between the South African Post Office Limited and City of Johannesburg Metro Municipality where the terms and conditions have been agreed upon that the Post office will accept payments from city customers on behalf of the City at their post office outlets. The City is a principal to this agreement.

Transwitch

The City is a principal to an agreement where Transwitch Services (Pty) Ltd (TSS) will collect all the outstanding accounts owed by city customers on behalf of the City.

TSS must ensure that all payments collected must be paid to the City's nominated bank account not later than 24 hours after collection. and in the event that next day is weekend or public holiday, the payment must be made on the next business day thereafter.

| Entity | Cash held by agent | | Commission paid by agent | | Commission paid | |
|--------|--------------------|------|--------------------------|------|-----------------|------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |

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| Figures in Rand thousand | GROUP | | CJMM | |
|--|--------|----------------|----------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| 64. PRINCIPAL AGENT ARRANGEMENT (continued) | | | | |
| Transwitch Services (Pty) Ltd | 22 074 | 44 202 | 5 285 370 | 5 105 372 |
| South African Post Office Limited | 13 856 | 3 231 | 389 189 | 390 894 |
| | | | | |
| All the cash held by the agents on behalf of the City is expected to be settled by not later than 31 July 2020 | | | | |
| 65. SURCHARGES AND TAXES | | | | |
| Surcharges- Electricity | | 187 412 | 173 705 | 173 705 |
| Surcharges- Water | | 62 809 | 45 539 | 62 809 |
| Surcharges- Refuse | | 6 045 | 5 575 | 6 045 |
| | | 256 266 | 224 819 | 256 266 |
| | | | | |
| 66. CASH MANAGEMENT | | | | |
| Since 2013 financial year, Transport department within City of Johannesburg had cash losses due to alleged fraudulent activities and theft amounting to R0 (2019: R8 033 000). These losses incurred led to monies which were never credited into the City's bank account. Management is in the process of prosecuting personnel alleged to have undertaken fraudulent activities and/or have been negligent in the execution of their duties. Cases have also been opened with the SAPS with a view inter alia to recovering the monies. Investigations are almost complete and based on the outcome of these investigations actions have already been taken and will continue to be taken to improve controls and hold the relevant parties accountable. The loss is included under general expenditure. | | | | |
| | | 95 001 | 86 968 | 95 001 |
| | | - | 8 033 | - |
| | | 95 001 | 95 001 | 95 001 |

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| | GROUP | CJMM | | |
|--------------------------|-------|------|------|------|
| Figures in Rand thousand | 2020 | 2019 | 2020 | 2019 |

67. IMPACT OF COVID-19

The covid-19 pandemic has created significant challenges to the operational activities of City of Johannesburg group some of the impacts by Covid-19 amongst other were:

- In July 2020, the City council approved Revenue foregone as a form of Disaster Rebate Relief from lockdown level 5 which commenced on the 27th March 2020 and will be provided for a period of three months ending June 2020
- For billing and outstanding balances on all services for this three months period, the City has provided a relief on interest and suspension on the credit control actions: Waiving of interest on all city customers for their outstanding balances with the amount of interest waived being R37 million. Relaxing the current 50% and 30% compulsory payments when customers are entering into a payment arrangements for their outstanding balance and replacing with 10% minimum deposit with no supporting documents confirming affordability.
- Extension on the Expanded Social Package benefits expiring within this period until Level 1 lockdown. Due to the impact of Covid-19 and Credit Control Policy relief, the City average collection rate went down by 2.8%. A significant increase in debt impairment and write-off due to the credit control measures being suspended as a result of the Lockdown Regulation implemented by National Government resulting in an unanticipated decline in the collection of overdue debtors.
- Ticketing and catering services for Joburg theatre declined due to hard lock down regulations implemented . The outbreak resulted in strict lockdown regulations being enforced across the country and led to the temporary closure of all the group construction sites from the end of March 2020 until the beginning of June 2020 Most development projects continued into the 2020/21 financial year and in some cases, completion dates had to be deferred to take into consideration the lockdown period.
- The National Lockdown has had a significant impact on the business of transport which has seen a significant decline in its revenue performance due to passengers remaining at home complying and implementing lockdown regulations. This pandemic has adversely affected the cash collection from consumer debtors as people diverted money they would normally pay to other essential needs
- A Government Gazette No.43181 was issued on 30 March 2020 that allows municipalities to pass a special adjustment budget before the end of the 2019/20 financial year to authorise all expenditure linked to the emergency to address the COVID-19 pandemic.

The following was spent in response to COVID-19:

| COVID-19 | Amount in Rands |
|--------------------------|--------------------|
| Amount spent | 152 516 230 |
| Donations (quantifiable) | <u>5 589 164</u> |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

| Figures in Rand thousand | GROUP | | CJMM | |
|--------------------------|-------|------|------|------|
| | 2020 | 2019 | 2020 | 2019 |

City of Johannesburg Metropolitan Municipality

Group Annual Financial Statements for the year ended 30 June 2020

Notes to the Group Annual Financial Statements

| | GROUP | CJMM | | |
|--------------------------|-------|------|------|------|
| Figures in Rand thousand | 2020 | 2019 | 2020 | 2019 |

A number of donations were received, those which the value could not be quantified. the list is as follows:

| Entity and Description | Type of donation |
|--|--|
| Wheels on meals on CoJ Premises catered for the following areas: | Meals per day |
| Hilbrow | 600 Meals |
| Bertha Solomon | 600 Meals |
| Hoffland | 600 Meals |
| Jan Hoffmeyer | 600 Meals |
| Grosvenor | 600 Meals |
| Florida | 30 Meals |
| World View Flats | 265 Meals |
| World View Park | 325 Meals |
| Church of Scientology | Sanitation of buildings |
| CADENA | Hand Sanitizers and Pamphlets in different languages |
| Megan Simpson | 400 Masks |
| ANOVA Health | 10 Gazebos |
| SASOL | 1,500 litres handsanitizer 1000 surgical masks 1000 gloves and 2000 bars of soap |
| SONOF Africa | Nuo Air Purifiers - 2 |
| Various Companies, Individuals and NGOs | Food Parcels |
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